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## South Korea Says Kim Is Responsible For Use of Force

By Clyde Haberman  
*New York Times Service*

SEOUL — The South Korean authorities have acknowledged that some force was used against the opposition leader, Kim Dae Jung, when he returned Friday after two years of self-imposed exile in the United States.

But the government strongly denied assertions that South Korean security agents had beaten and kicked Mr. Kim and prominent American supporters who were traveling with him.

"They could have used force, but certainly they did not attack anybody," a government spokesman, Choi Tae Soon, said Saturday.

Rather, Mr. Choi said, it was Mr. Kim who was guilty of violence. The spokesman said that, while at Kimpo International Airport, Mr. Kim punched a police official and threatened to strike him with his cane.

Mr. Kim, who has been under virtual house arrest since returning, denied the accusations. He said he might have pushed a policeman, but only in anger and only after he had been pushed first.

The charges and countercharges surrounding his homecoming have rattled normally smooth relations between South Korea and its principal ally, the United States.

Weeks before Mr. Kim's much-heralded return, the State Department had expressed hope that the event would be "trouble free." On Saturday, the U.S. Embassy in Seoul seemed both embarrassed and defensive over allegations by Americans in Mr. Kim's party that it had not done enough to protect them.

The three dozen Americans who accompanied Mr. Kim in a move to ensure his safety wanted to have dinner Saturday night with another opposition leader, Kim Young Sam, but could not when the authorities refused to let him leave his house.

Kim Young Sam, who along with Kim Dae Jung is among 15 South Koreans banned from political activity, has been confined to his home sporadically over the last month.

The U.S. Embassy said Saturday night that it had yet to receive a Foreign Ministry response to its protest over the treatment of Mr. Kim and the human rights activists with him.

Among those who said they had been punched, kicked and thrown to the floor by officers at the airport Friday were two Democratic representatives, Edward F. Feighan of Ohio and Thomas M. Foglietta of Pennsylvania; a former assistant secretary of state for hu-

man rights affairs, Patricia Derian, and a former ambassador to El Salvador, Robert E. White.

The U.S. ambassador to South Korea, Richard L. Walker, accused the government on Saturday of having reengaged on an agreement that "might have prevented what happened."

Mr. Walker said that embassy officials were supposed to have been permitted to greet Mr. Kim and his supporters as they left their plane. Instead, the diplomats were kept far away and the fracas broke out along an indoor runway leading from the plane as security rushed in to separate Mr. Kim from his American backers.

That agreement was not honored by the Korean government," Mr. Walker said, adding: "We regret what happened at the airport and deplore the conduct of those responsible."

In presenting the government's detailed version of the airport incident, Mr. Choi said the police had separated Mr. Kim from his companions as a security measure since there was not enough room for everyone in an elevator. Any force used, he said, came only after the opposition leader and the others resisted.

Mr. Choi said that the group accompanying Mr. Kim had agreed that Mr. Kim would be separated from it on reaching the airport.

But after they got off the plane, members linked arms with Mr. Kim and refused to leave him, Mr. Walker said.

Saying their actions appeared to be "purposeful provocation," Mr. Walker said the stage was set for police to use physical force to separate them.

A U.S. Embassy official said that the group apparently wanted an incident to draw attention to Mr. Kim.

Members of the delegation rejected Mr. Walker's version of events and accused him of failing in his duty by not seeking a meeting about the incident with President Chun Doo Hwan, not accompanying group members to a Foreign Ministry meeting and not inviting the delegation to meet with him to give the full facts of the case.

Mr. Walker's behavior "sent a strong and unmistakable signal of lack of interest on the part of the American government," the statement said.



Prince Sihanouk at a rebel base in Cambodia greeting Khmer leaders, Kheu Samphan, right, and Ieng Sary, center.

## Sihanouk Holds Champagne Party in Cambodia

By William Branigin  
*Washington Post Service*

PHUM THMEY, Cambodia — Prince Norodom Sihanouk drank champagne toasts on Saturday with ambassadors to the Cambodian coalition government he heads and vowed to continue fighting the Vietnamese occupation of his country for generations if necessary.

Accompanied by his wife, Monique, and a retinue that included his fluffy white toy spaniel, Prince Sihanouk greeted leaders of the Khmer Rouge guerrilla group, attired in suits and ties, during his visit to this jungle village run by the Khmer Rouge in an embattled corner of western Cambodia.

By taking the risk of entering a potential

banlieue zone in Vietnam's current dry-season offensive to carry out government ceremonies on Cambodian soil, Prince Sihanouk aimed to buttress his resistance coalition's stature as the UN-recognized government of Cambodia.

The ceremonies of accepting the credentials of ambassadors from Senegal, North Korea, Bangladesh and Mauritania were off without a hitch. Only an occasional faint boom of artillery could be heard in the distance.

But it was clear, despite the flights of rhetoric, that the resistance coalition's "liberated zone" is shrinking before the Vietnamese onslaught.

Since November, Vietnamese occupation forces have systematically overrun every ma-

jor non-Communist resistance settlement on the Cambodian side of the border with Thailand, dealing setbacks to the Khmer People's National Liberation Front led by Son Sann. Now, the Vietnamese have turned their forces against the Communist Khmer Rouge, launching a pincer attack from the south and east aimed at the Phnom Malai base area of which this village is the showpiece and ceremonial attraction.

Khmer Rouge leaders, including Kheu Samphan and Ieng Sary, were reluctant to give details of the current fighting. But Mr. Samphan, the titular Khmer Rouge leader and vice president of Prince Sihanouk's resistance coalition, claimed that his guerrillas were doing "better than last dry season" by counterattacking the Vietnamese.

## U.S. Cites Soviet Aims For Central America

By Joel Brinkley  
*New York Times Service*

WASHINGTON — A new Reagan administration white paper asserts that the Soviet Union, using Cuba, is trying to turn all of Central America into a satellite of the Eastern Bloc.

An introduction by Defense Secretary Caspar W. Weinberger, citing papers seized in Grenada, quotes Foreign Minister Andrei A. Gromyko of the Soviet Union as saying that the region is a "boiling cauldron" ripe for "revolutionary expansionism," that Cuba and Nicaragua are "living examples for countries in that part of the world."

The paper was prepared as part of an effort to persuade Congress to approve the administration's new aid package for Central America.

The paper has not been made public. A copy was obtained from sources outside government, but senior administration officials elaborated on its assertions. It is to be printed and given widespread distribution soon.

Since 1981, the Reagan administration has contended that the Soviet Union and Cuba were behind several communist insurgencies in Central America, and it has published several white papers to mobilize public and congressional support.

Administration critics have been skeptical about the conclusions of some of the papers, particularly the first in 1981, asserting connections between the Soviet Union and Salvadoran guerrillas.

A senior government official fa-

miliar with much of the intelligence information used to prepare the new paper said: "Sometimes they make more out of the intelligence information than is warranted, in my view."

The latest paper contends that the Soviet Union and Cuba are actively promoting communist revolution in every country of Central America except Costa Rica and in Colombia as well. It provides new details to support those assertions but in most cases does not explain the source of the information. An administration official said that was to protect intelligence sources and methods of operation.

"At the moment," the paper says, "El Salvador, Guatemala, Honduras and Colombia appear to be at a critical juncture. But that can be the impetus for the United States to devote the resources necessary to assist the countries of the region."

The administration's budget proposal, announced last week, requests more than \$1.1 billion in military and economic aid for the nations of Central America. In addition, President Ronald Reagan, on his State of the Union Message on Wednesday, urged Congress to renew aid to the Nicaraguan rebels, whom he called "freedom fighters."

If the United States does not

(Continued on Page 3, Col. 1)

There is no doubt," the paper adds, "that the countries of Central America and the Caribbean are at a critical juncture. But that can be the impetus for the United States to devote the resources necessary to assist the countries of the region."

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If the United States does not

(Continued on Page 2, Col. 4)



Mengistu Haile Mariam

## Officials Assert Budget Would Harm U.S. Cities

By Karen Tumulty  
*Los Angeles Times Service*

NEW YORK — As the House Budget Committee began a six-city tour of hearings on President Ronald Reagan's fiscal 1986 budget, officials testified that proposed cuts in social programs would devastate New York and other urban areas.

In the hearings that began Saturday and end Feb. 18, the committee will travel across the country to solicit public comment on the president's budget proposals and deficit-reduction alternatives.

Democrats, who control the committee, hope the hearings will help fix the blame for the deficit, and the unpleasant choices required to bring it under control, on the White House.

Saturday's hearing focused on urban problems, in light of the administration's plan to end such programs as mass transit subsidies, urban development grants and the federal sharing of tax revenue.

"This budget cuts across the big Apple," said Representative Charles E. Schumer, a Democrat of New York. "For the average New Yorker, the Reagan proposal will mean higher transit fares, more expensive health care, a continuing decline in rental housing, a cut in school-lunch programs, dramatic cuts in the number of teachers in the New York public school system, and a continuing deterioration in basic sewerage and water-treatment facilities."

Mayor Edward I. Koch of New York told the committee that while

his city is back on sound financial footing a decade after the financial crisis that almost left it bankrupt, it still has 3,000 fewer police officers than it did then, and needs more teachers, sanitary workers and fire-fighters.

He said that Mr. Reagan's budget would cost the city more than \$1 billion a year, about 5 percent of its budget.

"It would be impossible for us to make up the gap" if Congress went along with the administration's proposals, Mr. Koch said. "We have income taxes, corporate taxes, sales taxes, occupancy taxes — to ask us to do even more when we are working our way out of this morass is simply unfair."

But Representative Delbert L. Latta, an Ohio Republican who is the ranking Republican on the committee, replied: "The federal government helped bail you out when you were on the brink of disaster. Now the tables are turned. The federal government is asking you to help us out."

City Councilor Pamela P. Plumb of Portland, Maine, testifying on behalf of the National League of Cities, said that her city would have to increase property taxes by 10 percent to make up for the proposed funding cuts. She said the effect of the budget on Portland was typical for small and mid-sized cities.

"You hear that Americans say they want to get the government off their back," Mrs. Plumb said. "But we've had hearings neighborhood by neighborhood and not a single person has said that. They've asked for more policemen and more firemen and more services."

■ Reagan Presses Congress

President Reagan demanded Saturday that Congress act quickly to approve his budget and give him new constitutional authority to cut spending on his own. United Press International reported.

In his weekly radio address, Mr. Reagan said that in Congress, "already we're hearing the old familiar voices telling us to slow down, prepare to slash the defense budget and raise taxes, all in the name of reducing projected budget deficits."

"Well," he added, "those arguments were rejected on November 6th."

"I urge the Congress to move quickly on a spending cut package that will reduce overall government spending growth," he said.

Mr. Reagan renewed his call for a constitutional amendment requiring a balanced budget and affording authority to veto individual spending bills.

In a Democratic response, Senator J. James Exon of Nebraska accused Mr. Reagan of "glossing over the problems of American farmers."

Algiers	6,000	Israel	15,650	Norway	7,000
Antarctica	35	Iraq	12,500	Costa Rica	6,700
Argentina	6,000	Jordan	4,500	Denmark	5,000
Armenia	43.5	Korea	5,000	China	4,500
Aruba	53.5	Lebanon	5,000	Belarus	70,000
Australia	13.25	Malta	5,000	South Africa	4,500
Austria	2.75	Morocco	5,000	U.S.S.R.	110,000
Azerbaijan	100	Myanmar	100	Sweden	22,500
Bahrain	7.5	Niger	105	Turkey	12,000
Bangladesh	220	Pakistan	105	United Kingdom	1,500
Barbados	20	Papua New Guinea	105	United States	1,500
Bolivia	100	Peru	105	Uruguay	100
Bosnia	100	Philippines	105	Venezuela	100
Bulgaria	100	Qatar	105	Yugoslavia	100
Burma	100	Romania	105		
Burkina Faso	100	U.S.S.R.	105		
Burundi	100	U.S.A.	105		
Cambodia	100	U.S.S.R.	105		
Cameroun	100	U.S.A.	105		
Canada	100	U.S.S.R.	105		
Central African Republic	100	U.S.A.	105		
Chad	100	U.S.S.R.	105		
Chile	100	U.S.A.	105		
China	100	U.S.S.R.	105		
Croatia	100	U.S.A.	105		
Cuba	100	U.S.S.R.	105		
Cyprus	100	U.S.A.	105		
Czechoslovakia	100	U.S.S.R.	105		
Denmark	100	U.S.A.	105		
Djibouti	100	U.S.S.R.	105		
Egypt	100	U.S.A.	105		
El Salvador	100	U.S.S.R.	105		
Equatorial Guinea	100	U.S.A.	105		
Eritrea	100	U.S.S.R.	105		
Estonia	100	U.S.A.	105		
Eswatini	100	U.S.S.R.	105		
Egypt	100	U.S.A.	105		
Egypt	100	U.S.S.R.	105</		

## Thatcher Marks 10 Years as Party Chief, But Her Success Is Flawed

By Michael Getler  
*Washington Post Service*

LONDON — Ten years ago, a determined but relatively unknown member of Parliament, Margaret Hilda Thatcher, challenged the established leaders of Britain's then opposition Conservative Party and won the right to lead it.

Today, after almost six years as prime minister, Mrs. Thatcher and "Thatcherism" dominate and divide British politics and public life.

Deeply conservative, the 59-year-old daughter of a grocer still "lives above the store" at 10 Downing Street and is, by all accounts, a formidable political leader: tough, articulate, informed and relentless.

Mrs. Thatcher may well be on her way to becoming Britain's longest continuously serving prime minister, with three years left of her second term and apparently in good shape to win a third five-year term at the next election.

She is blessed with a fractured, and some say politically suicidal, opposition. This enables her to hold a 141-seat majority in the House of Commons, even though only about 43 percent of voters backed her in the 1983 election.

Yet, to many people, including some of her admirers, Mrs. Thatcher has a serious political flaw — usually described as an abrasiveness. It manifests itself in a desire for total victory, a guilt-by-association style of rhetoric aimed at her enemies, and a seeming lack of compassion for those outside her cult of individual initiative.

Many commentators believe it contributes to and may even accelerate the growing polarization between the decaying industrial North and

the prosperous South, and between the record 13.9 percent unemployed and the rest of the work force.

Indeed, if a line were drawn across Britain from southern London in the east to southern Bristol in the west, one would find no Labor Party parliamentary representatives to the south and no Conservative control of any major city to the north.

Ten years after her success in gaining control

voiced, but also that significant minority groups and opinions have few channels through which to be heard.

It is still not clear whether Mrs. Thatcher will succeed in shaking up her countrymen — reintroducing what she calls an "enterprise and entrepreneurial culture" into a country that has had a substantial dose of socialism in recent decades.

The prime minister has successfully slashed inflation from 20 percent to 5 percent, although partly at the cost of 3.3 million unemployed. British growth has continued, slowly, despite the recession of a few years ago. And both economic growth and Mrs. Thatcher's popularity could be strengthened if the government, as now looks likely, emerges victorious in the 11-month coal miners' strike.

But it is not certain that Britain as a whole is cut out to respond to Mrs. Thatcher's brand of aggressive global marketing and competitiveness.

Thus, despite her unquestionable political power, Mrs. Thatcher is a figure of ambivalence — admired by many for her grit and goals, despised by many who see her as cruelly disregarding the plight of the have-nots, and frustrated by many who see her as unnecessarily confrontational.

This ambivalence is perhaps best described by one of Mrs. Thatcher's major targets, Ken Livingstone, the socialist leader of the Greater London Council whose job the prime minister is eliminating.

"I think I admire the determination," Mr.

Livingstone told a television interviewer. "because all the track record of the last 30 years is a series of prime ministers who are just blown back and forwards by events. Now Mrs. Thatcher's tried to impose her personality on events and the Civil Service, and that I find very admirable. It means that people know what they're getting when they vote for her."

Mrs. Thatcher, Mr. Livingstone continued, is among the small group of leaders "who are able to articulate hopes and fears, and they change hearts and minds and shift political opinion."

"I think Mrs. Thatcher detected, after 30 years basically of the welfare state, a growing disillusion with bureaucracy, a feeling that people had to pay too much in tax," Mr. Livingstone said. "and she very skillfully turned that against socialism, though it wasn't all the fault of socialism by any means. But people can identify with it."

But, he added: "If you've got that degree of determination and ruthlessness, you have to be much more sensitive to the moods of public opinion. You've got to be more than the average prime minister and be aware of the broad consensus that exists in the country."

That is what Mrs. Thatcher does not have, he said.

From the start, Mrs. Thatcher has been an outsider. Although an Oxford graduate, she was not a member of the landed gentry or upper class or traditional governing élite. Her success and her appeal has eroded not only the solidarity of the labor unions, about a third of whose members voted for her, but also the establish-

ment, some of whom would prefer a more moderate and traditional brand of Toryism.

"Her government has brought the country face to face with its decline and administered a shock to the system, which has been most salutary and overdue," wrote Peter Jenkins, a communist for *The Guardian*. "But never has she found the words to clothe her policies in national purpose in which lies the art of Tory government."

A top aide said: "It doesn't mean she doesn't care. But she has a different way of caring and that is to put the country in a position to earn its keep. The central issue is: 'Where is the money coming from?' and you can't duck that."

Hugo Young, another *Guardian* columnist, said: "She relishes controversy. She invites it, provokes it, rules by it. If, occasionally, she must die by it, that is one of the risks of a game that no one before her has played."

Mrs. Thatcher's conservative ideology, dedication to capitalism, individual initiative, and to leading by "conviction" rather than always seeking consensus, has frequently led to comparisons with President Ronald Reagan.

But Mrs. Thatcher does not have Mr. Reagan's ability to put forward controversial programs without inflaming public opinion against him personally.

"She has a problem communicating that she cares about people," said one Mrs. Thatcher aide. "and Reagan doesn't have that problem. I suppose it goes back to her upbringing. She's an original. Nothing came easy or comes easy, nor is it allowed to."



Margaret Thatcher

## Pravda Pays Andropov Tribute on Anniversary

By Dusko Doder  
*Washington Post Service*

MOSCOW — The Soviet Communist Party has paid warm tribute to its former leader, Yuri V. Andropov, who has emerged as almost a cult figure in the Soviet Union since his death a year ago.

An editorial in the Communist Party newspaper Pravda on Saturday heaped praise on the former leader in a eulogy suggesting that he is missed by members of the ruling élite as well as by ordinary citizens.

The editorial made only one mention of Andropov's successor, President Konstantin U. Chernenko, and did so in the context of continuity of Soviet policy. Diplomatic observers said the tribute seemed to underscore Moscow's commitment to Andropov's program for change.

Andropov, who served for 15 years as chief of the KGB, the Soviet security police and intelligence agency, before he assumed his position in the Party Secretariat in May 1982, succeeded Leonid I. Brezhnev in November 1982.

His selection raised hopes that the Kremlin leadership would undertake reforms. Feelings are wide-



Yuri V. Andropov

spread in the Soviet Union that Andropov could have achieved more had he served longer than 15 months as the country's leader.

Pravda described Andropov not only as "an outstanding figure" and an "ardent patriot" who struggled for peace and social progress, but also praised him for a "weighty personal contribution" in establishing Communist Party strategy.

Most of the article reflected Andropov's views about future tasks facing the Soviet Union. The eulogy cited many of his policies, including drives against corruption and for tighter social and labor discipline.

The tribute stood in marked contrast to a similar Pravda eulogy in November 1983 commemorating the first anniversary of Brezhnev's death. That tribute extended modest praise to Brezhnev and hardly dealt with his 18 years in power. Instead, it focused on Andropov and his policies.

In Saturday's eulogy, the cursory reference to Mr. Chernenko, 73, who has been ailing for the past six weeks, does not indicate an attempt to slight him. Mr. Chernenko was healthy or ill, citing strict adherence to the Hippocratic oath.

## Communists In France Reject Reform

Reuters

PARIS — The French Communist Party re-elected Georges Marchais as its secretary-general on Sunday despite the party's electoral decline and calls by dissidents for reform.

Mr. Marchais, 64, was elected to a fifth three-year term at the end of the five-day 25th congress, during which party leaders resisted the demands for change.

The party spokesman, Pierre Juquin, who made a plea last week for reform in the party's strategy and internal structures, lost his seat in the 22-member decision-making politburo.

Mr. Juquin, however, was re-elected to the 137-member central committee together with two other dissidents, Felix Dantette and Marcel Rigout.

There was other evidence of division within Communist ranks when 65 of the 1,707 delegates abstained Saturday on a vote to approve its next three-year platform.

Mr. Juquin was the only politburo member to abstain in the vote after the leadership rejected amendments by reformists calling for a tougher stand on human rights violations in Soviet bloc countries and less Soviet-style "democratic centralism."

Mr. Juquin told the congress on Friday that the party, which has slumped to its lowest ebb since the 1920s, was losing support by refusing to criticize East European Communist states and ignoring the problems of new white-collar workers, youth and immigrants.

In his opening speech, Mr. Marchais set himself firmly against such changes and put the party on a new course of all-out opposition to President François Mitterrand. His party ended a three-year government partnership with Mr. Mitterrand's Socialist party last year.

Mr. Marchais said after he was reconfirmed as leader that the re-election of the dissidents to the Central Committee showed the party's openness to internal criticism.

Mr. Marchais attacked Mr. Juquin's call for reform without naming him. "Turning the French Communist Party into a social democrat one is out of the question," he said.

Experts had speculated after overnight analysis that Mr. Karpov would resign the game without resuming play on Saturday. But Mr.

## Storms Batter Western Europe; 15 Killed in Highway Accidents

The Associated Press

LONDON — Storms with high winds, heavy snow and bitter cold spread across much of Europe on Sunday, causing hundreds of automobile accidents and disrupting travel by sea and air.

A pileup of three trucks and seven cars, blamed on snowdrifts, killed nine people on an expressway in central England on Sunday and a 50-car pileup on an icy, fogbound highway in West Germany killed six people and injured 36 others late Saturday.

The cold wave, Europe's second of the winter, stretched from Britain to central and northern Europe.

Roy O'Sullivan, a spokesman for the London Weather Center, said that no relief was in sight for at least a few days.

Temperatures plunged to minus 13 Fahrenheit (minus 25 centigrade) in Oslo on Sunday morning, a 19-year low, and were below freezing in most other areas.

Snow accumulations of nine inches (23 centimeters) were reported in central England, with drifts of four to five feet (1.2 to 1.5 meters) elsewhere. Winds were clocked at 57 mph (50 knots) in southwest England.

Streets were mostly clear in central London after a three-inch snowfall Saturday, but scores of roads were blocked elsewhere in Britain.

In West Germany, which was blanketed by snow six inches deep in most places, the authorities said that more than 200 people were injured in car crashes on Saturday and Sunday.

The worst accident involved about 50 cars on the Munich-Nuremberg highway. Police said six persons were killed and 56 injured late Saturday when a truck carrying pigs slid out of control on the highway and overturned. The subsequent pileup caused a nine-mile (15-kilometer) traffic jam.

## WORLD BRIEFS

### Mandela Rejects Release From Prison

JOHANNESBURG (AP) — Nelson Mandela, the jailed anti-apartheid leader, on Sunday rejected the South African government's conditional offer of freedom and said he would not negotiate with the authorities as long as the government maintained its policy of racial separation.

His daughter, Zinzi, read a message from Mr. Mandela, president of the banned African National Congress, to a crowd of 6,000 people in the black city of Soweto next door. "I cherish my freedom dearly, but I care even more for your freedom," the message said.

Mr. Mandela, jailed for life for treason in 1964, promised that he would not negotiate with the South African government until it rejected apartheid, renounced violence, legalized his organization and guaranteed political freedom for all. President Pieter W. Botha has offered to free Mr. Mandela if he renounces violence.

### Papandreou to Make Visit to Moscow

ATHENS (Reuters) — Prime Minister Andreas Papandreou begins a four-day visit to Moscow on Monday to promote relations with Greece and the Soviet Union, during a period of frosty relations with Greece's chief NATO ally, the United States.

It will be Mr. Papandreou's first official visit to the Soviet Union. He has been criticized repeatedly in the West for straining the cohesion of the North Atlantic Treaty Organization and aligning himself with Soviet Policies in Poland and Afghanistan.

His talks will start immediately after his arrival, when he will meet with Prime Minister Nikolai A. Tikhonov at the Kremlin. Mr. Papandreou's official agenda mentions a "high-level meeting" scheduled for Tuesday afternoon, which has been taken to indicate a meeting with President Konstantin U. Chernenko or Mikhail S. Gorbachov, a senior Politburo member.

### France Urges UNESCO Study Group

PARIS (AP) — France has proposed to members of UNESCO's executive board that a special group be created to examine the crisis facing the 161-member organization, according to *Le Monde*, a French daily newspaper.

The report on Saturday said the proposed group would represent 12 countries which are members of the UN Educational, Scientific and Cultural Organization. The group's meetings would not be subject to the authority of Amadou Mahdi M'Bow, the Senegalese director-general, and Mr. M'Bow would not attend the sessions.

UNESCO's board begins a five-day meeting on Tuesday to consider the consequences of the U.S. withdrawal from the organization. The United States pulled out Dec. 31 maintaining that the Paris-based agency had become too political, had spent too much and was badly managed.

Britain and Singapore also plan to leave.

### Machete to Lead Portuguese Party

LISBON (Reuters) — Portugal's divided Social Democratic Party named Rui Machete its new leader on Sunday but questions remained over whether he could overcome internal differences to guarantee stability in the coalition government of Socialists and Social Democrats.

The election of Mr. Machete, 44, currently the justice minister, came after an all-night meeting by members of the party's national council.

Party sources said the election result was a setback for supporters of Carlos Mota Pinto, the former leader who resigned Tuesday. He did not attend the meeting and rejected pleas to reconsider his resignation as party leader.

### Arab, Brazilian Satellites Put in Orbit

EVRY, France (Reuters) — The Arab world's first communications satellite and a Brazilian satellite were orbiting the Earth on Sunday following a successful launch by a European Ariane-3 rocket.

The two-minute flight of the rocket went without a hitch after lift-off late Friday night from French Guiana on the northeast coast of South America.

The Arabsat 1-a satellite, built principally by the French company Aérospatiale in Toulouse, will provide telephone, telex, television and radio transmissions for 22 members of the Arab League.

Brasilsat-1, the first of two satellites built by the Canadian company Star Aerospace, is designed to function for eight years and to provide similar services.

### Protesters Defy Curfew in Nouméa

NOUMÉA, New Caledonia (Reuters) — Thousands of people defied a curfew Sunday and crowded the streets in protest.

Cars and pedestrians waving French flags converged on central Nouméa at 11 P.M. local time, the start of the regular overnight curfew that has been strictly enforced since its imposition last month. There were no arrests, although Edgard Pisani, France's special envoy, had warned earlier that curfew breakers would be arrested.

The protest ended after a speech by Jacques Lafleur, the head of the anti-independence Rally for Caledonia in the Republic. Mr. Lafleur said that Mr. Pisani's plans for the island's independence are unacceptable.

### For the Record

The New York City Council president, Carol Bellamy, announced Friday that she would challenge Mayor Edward I. Koch, a fellow Democrat, in the mayoral primary in September. Miss Bellamy, 43, has accused Mr. Koch of being overly sensitive to real-estate interests and to Manhattan but not sensitive enough to the poor, to minorities and to the city's four other boroughs.

Ferry traffic on the English Channel returned to normal Saturday, after French seamen of Sealink, the British state-owned ferry company, ended a weeklong blockade of Dieppe, Boulogne and Calais. French officials said in Boulogne, the seamen were members of a union that was protesting an agreement on working hours signed by a competing union.

(UPI)

Riot police firing tear gas and wielding clubs broke up a student protest meeting at the University of Nairobi on Sunday, injuring more than 100 students in the first serious civil unrest in Kenya since the 1982 coup.

(UPI)

### Correction

Leszek Pekala and Waldemar Chmielewski, sentenced for murder and kidnapping in a Polish court Thursday, were incorrectly identified in a picture caption in the Herald Tribune of Feb. 8. The are correctly identified at right.



Pekala



## AMERICAN TOPICS



Frances James, riding a subway in Boston, and her daughter, Mary, above, who was shot in a robbery attempt.

## Strange Encounter On a Boston Subway

Mary James, 21, a Boston hotel restaurant supervisor, cashed a check on her way home from work and boarded a bus. Fumbling in her purse for change, she spilled several hundred dollars. A youth who sat next to her on the bus followed her out and shot her in the back when she refused to give up her purse. Fortunately, the bullet just grazed her skin after passing through several layers of clothing.

The following day Miss James's mother, Frances James, 55, a jail guard, found herself sitting next to two youths on the subway. She quoted one of them as saying, "I pumped a broad in Dorchester last night because she wouldn't turn loose her bag."

"Did you waste her?" Mrs. James said the other youth asked.

"Nah, I don't think so. There was nothin' on the TV."

Mrs. James said, "I could have killed him." But unmoved by herself, she followed him instead and had him arrested. "He's got a record a mile long and he's only 14," she said.

The youth, arraigned for attempted murder, was released on \$5,000 bond after his mother posted \$500 cash. The authorities withheld his name because of his age.

## Liberal Arts Majors Finding Steady Work

William J. Bennett, chairman of the National Endowment for the Humanities, writes in The Washington Post that a study by the University of Texas shows that of 1,300 of its recent liberal arts graduates, 80 percent are employed full time, 12 percent are full-time students and 5 percent are voluntarily unemployed, while only 3 percent are unemployed and looking for work.

Of those surveyed, 28 percent went on to graduate degrees and professional or executive careers, 47 percent have jobs in the business world that require a college education, and 24 percent have comparable nonbusiness jobs in social services, welfare and politics.

The study "concludes that liberal arts graduates have access to more sectors of the labor market than specialized graduates," writes Mr. Bennett. "The differ-

ence is that liberal arts majors often must generate first-job opportunities on their own initiative without relying greatly on campus recruiters."

## 1985 Existentialism, Albuquerque Style

The French existential philosopher Jean-Paul Sartre visited the United States in the 1940s and came away disappointed with Albuquerque, New Mexico, and other exotic-sounding cities.

He complained, "Hidden beyond these magnificent and promising names is the same checkerboard city, the same red and green traffic lights and the same provincial look."

Albuquerque has no plans to change the color scheme of its traffic signals, but at the end of a tumultuous 12-hour meeting last week the city council voted a sales tax extension to pay for an \$86-million "festival marketplace" along the lines of Manhattan's South Street Seaport, Baltimore's Harborfront and Boston's Faneuil Hall marketplace.

Opponents plan to force a referendum. Berent Groth, an architect and president of the Albuquerque Conservation Association, favored a simpler pedestrian area preserving the city's 1930s architecture and connecting downtown with the University of New Mexico campus. He dismissed the proposed marketplace as a place to go to "watch someone make fudge."

## Short Takes

The life expectancy of Americans at birth reached a new high of 74.6 years in 1982, compared with 74.2 years in 1981, the National Center for Health Statistics reported. Women are still expected to live longer than men. The average age for women is 78.2 years, for men 70.9.

Cactus Feeders Inc. of Dumas, Texas, the biggest cattle feeder in the United States, says it will end the routine feeding of growth-promoting antibiotics because of concern that this could endanger human health. It said that it is the first feedlot operator in the country to end the practice voluntarily. Scientists are concerned that the practice will develop antibiotic-resistant bacteria in humans, rendering antibiotic medicines useless.

—Compiled by ARTHUR HIGBEE

## Reagan Missile Defense Would Kill ABM Pact, U.S. Arms Analysts Say

By Charles Mohr  
*New York Times Service*

WASHINGTON — Several arms control analysts have asserted that President Ronald Reagan's plan to build a defense against ballistic missiles and to design weapons that can destroy satellites would kill the 1972 U.S.-Soviet treaty that limits the size and effectiveness of anti-ballistic missile defenses.

Some advocates of arms control consider the anti-ballistic missile, or ABM, treaty the basic of arms control because, as long as it is complied with, it prevents either country from creating a theaterwide missile defense or an effective defense of missile sites.

This has promoted deterrence of nuclear war, they argue, because neither party can start a nuclear war without suffering retaliatory devastation.

John B. Rhinelander, a Washington lawyer who was legal adviser to the U.S. delegation that negotiated the ABM treaty and the 1972 interim agreement to limit strategic weapons, said Friday that adoption of a policy of "defense dominance" by the United States would make the ABM treaty pointless.

Mr. Rhinelander made his remarks at a press conference sponsored by the Arms Control Association, a private group based in Washington.

He was joined by Spurgeon M. Keeny Jr., who was deputy director of the government's Arms Control and Disarmament Agency from 1977 to 1981 and is now director of the Arms Control Association.

Raymond L. Garthoff of the Brookings Institution, a former ambassador to Bulgaria and a student of Soviet military policy, and Michael Krepon, an associate of the Carnegie Endowment for International Peace and an analyst of the problems of verifying compliance with arms control agreements.

With regard to Mr. Reagan's Feb. 1 report to Congress on "Soviet noncompliance" with existing treaties, the group expressed general agreement that the construction of a large Soviet radar at Krasnoyarsk in Siberia appeared to be a violation of the ABM treaty.

They said that it seemed to be capable of tracking targets for anti-ballistic missile weapons, and that it was illegally located.

But Mr. Garthoff said it was "not a sound procedure" to make such complaints public, and that a U.S.-Soviet consultative commission in Geneva was a better forum for such discussions.

Mr. Keeny and other members of the group also said the United States itself appeared to be guilty of technical violations of treaties. They cited the accidental "venting" of nuclear contamination into the air from underground nuclear tests.

The speakers also said that the United States, like the Soviet Union, appeared to be seeking to exploit ambiguities in treaty provisions.

The spokesmen noted that Mr. Reagan, in his Feb. 1 report, said that the United States would seek in negotiations to "reverse the erosion of the ABM treaty." But they suggested that his policies were inconsistent with this goal.

Mr. Keeny said that the president's Strategic Defense Initiative, aimed at building a space-based defense against missiles, "must raise serious questions in Soviet minds as to our own intentions."

When asked if the administration could modify the ABM treaty to permit the development of strategic defense, Mr. Rhinelander said, "The answer is no," because the United States says it is seeking the kind of nationwide defense prohibited by the treaty, along with space-based anti-missile systems that also are prohibited.

## New Drug Said to Slow Spread of AIDS Virus

By Walter Sullivan  
*New York Times Service*

For nearly 100 years, the Yonah Schimmel Knishery has served up knishes on the long-unfashionable Lower East Side of New York City, where knish (pronounced kuh-NISH) connoisseurs find it's still worth a trip to nosh, or munch, the real thing, which is a wad of dough stuffed with mashed potatoes, cheese, onions or buckwheat groats and baked in the store's original brick ovens.

Now, The New York Times reports, Schimmel's has opened a tiny take-out shop on the fashionable Upper East Side. There's a decided difference in the clientele: "In a hundred years on Houston Street, nobody's ever asked how many calories there are in a knish," says Sonny Berger, a co-owner. "Up town, we get the question at least five times a day."

So how many calories are there? About 300. In uptown arithmetic, that translates roughly into one health-club exercise class or twice around the Central Park reservoir.

—Compiled by ARTHUR HIGBEE

antimony and tungsten atoms surround a core of sodium.

In AIDS, the virus attacks the body's immune system, leaving the body open to a number of disorders. AIDS belongs to a class of viruses, retroviruses, that alter the DNA, or genetic material, of the infected cell to produce more virus particles. The drugs being tested seem to block the enzyme from affecting the DNA.

The French researchers pointed out that several substances besides the new drug had been found to block the action of the enzyme in cell cultures. In a letter to a British medical journal, *The Lancet*, however, they say that their tests demonstrate for the first time that the drug blocks the spread of the virus in humans.

In the United States, the National Institute of Allergy and Infectious Diseases is testing other drugs against the AIDS virus, said the institute's director, Dr. Anthony Fauci. One, called suraminine, is now being assessed and tests are shortly to begin on another, known as ribavirin.

Results of the experiments were described Friday by Dr. Jean-Claude Chermann of the Pasteur Institute, who spoke at a seminar on AIDS organized by the Scientists' Institute for Public Information. The drug he described, HPA-23, is a compound in which

the researchers emphasized that the treatment should not be regarded as a cure. The drug also produces severe side effects, such as heavy internal bleeding if not withdrawn soon enough.

The researchers said Friday that the virus seemed to have disappeared, at least temporarily, in all the cases. They added, however, that there was no guarantee that the virus did not remain in a hidden form.

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The boy was given HPA-23 until the chief side effect, a decrease in blood platelets that can lead to uncontrollable internal bleeding, became worrisome. During that time doctors were unable to find any AIDS virus in his blood.

In the other three patients, the virus was undetectable after two weeks of treatment but reappeared at low levels in subsequent cell cultures.

As noted by the French group, a hopeful aspect is that the severe side effects are apparently absent when HPA-23 is used in moderate doses.

In its research, the French group initiated treatment on another 33 patients with the drug, and in all of them there has been a decrease in the reproduction of the virus. Eleven patients have died, however, which could indicate that treatment began too late.

General Westmoreland, who commanded U.S. troops in the Vietnam War from 1964 until 1968, contends that the Salvadoran military has captured from the guerrillas have been traced by serial number to shipments by the U.S. to South Vietnam "more than a decade ago, and were 'consequently captured by the communist forces after the fall of 1975."

Under questioning by a defense attorney, Mr. Crile insisted that there had been no desire on the part of any of CBS's witnesses to discredit the military in any way.

Intelligence officers who appeared in the program, Mr. Crile contended, "had nothing to gain whatsoever" and had spoken out because they thought it was time for a "reckoning" and did not want to see a repeat of incidents reported in the documentary.

Earlier in his testimony, Mr. Crile said: "This was not a story that relied upon one or two sources. It was a story that had multiple sources . . . that added up to a scream from the intelligence officers that something wrong had taken place."

Further, the paper describes some of the supply routes and methods it contends are used to deliver rifles and other material to the Salvadoran guerrillas. It says that the "organizational structure of the Salvadoran guerrillas was orchestrated by Fidel Castro," the Cuban leader, and it adds that rebels have begun using classic Soviet disinformation techniques.

In conclusion the paper contends that Mr. Gromyko "warned the Grenadians to move carefully in their revolutionary expansionism so as not to signal their plans to the 'imperialists,' the white paper says.

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In Nicaragua, the paper says, "the mask of Sandinismo has slipped away," adding: "What is revealed is the mask of communism." The country has received far more arms from the Soviet Union and its allies than all its neighbors, the paper asserts.

The Soviet Union recently has provided Nicaragua with 110 medium battle tanks, 30 light amphibious tanks, 200 armored personnel carriers, 70 long-range artillery

## Die We

## Martens Wins Party's Trust Over Cruise

Washington Post Service

GHENT, Belgium — The government of Prime Minister Wilfried Martens of Belgium received the backing of his political party to decide when to deploy U.S. nuclear cruise missiles, amid growing signs that the country will not break ranks with its NATO allies on the deployment timetable.

Frank Swaen, president of the Flemish Social Christian Party to which Mr. Martens belongs, told a congress in Ghent that the government "had our mandate" to decide when Belgium will deploy the first 16 of the 48 cruise missiles it is to receive. The North Atlantic Treaty Organization had scheduled the deployment to begin in March.

The party had asked the prime minister to delay the initial deployment to create a better atmosphere for U.S.-Soviet arms control talks. Mr. Swaen, however, did not mention the party's position on deployment, focusing instead on the party's trust in Mr. Martens.

Last month in Washington, Mr. Martens refused to commit Belgium to begin deployment in March, but said the country would decide on an installation schedule by the end of that month.

## Slight Quake Shakes Rome

The Associated Press

ROME — A slight earthquake, measuring 2.7 on the open-ended Richter scale, shook Rome early Sunday. There were no reports of damages or injuries, officials said.

Prime Minister Wilfried Martens of Belgium paused in front of a banner of the Flemish Social Christian Party before speaking on Saturday at a party congress in Ghent.

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# Pakistani Election Has Candidates, but It Lacks Parties, Rallies and Loudspeakers



General Mohammed Zia ul-Haq

By William Claiborne  
*Washington Post Service*

KARACHI, Pakistan — For politically conscious South Asia, where voting often is vocal and volatile, it is one of the strangest national election campaigns ever.

There are essentially no issues or campaign themes, and few visible campaign posters and banners. Political parties are banned from participating, and outdoor rallies and processions are prohibited, as are the use of loudspeakers or any kind of amplifying system. Candidates complain that they go hoarse shouting at a few indoor meetings that are held, and that they are unable to get any kind of message across to the electorate.

Nearly all of the major political parties have said that they will boycott the election, and will interpret its outcome as meaningless. Almost no one, except government spokesmen and some pro-government candidates, expects more than a 25-percent to 35-percent turnout, and the leaders of some of the outlawed opposition parties — those who have not been arrested — say they will be surprised if as much as 10 percent of the electorate votes.

But Pakistan, at the insistence of its martial-law ruler, General Mohammed Zia ul-Haq, is going ahead anyway on Feb. 25 with its first parliamentary election since 1977 — and only the third national election since the country was founded 37 years ago with the partition of the Indian subcontinent.

General Zia, who seized power in a military takeover in July 1977, and promised free elections within 90 days, is now promising that a "New Political Order" will emerge from the often-postponed poll for the National Assembly.

of movement on this port-call matter," said Richard Long, a political columnist for The Dominion, Wellington's morning newspaper.

"And with the American pressure on him to back down, it has become an issue of national pride."

Some New Zealanders are worried that the refusal could prompt sanctions that would cut into the country's \$500 million a year in sales to the United States. But, for the most part, Mr. Lange's move appeared to have enraged his supporters among New Zealanders, who voted last year for the anti-nuclear Labor Party by a 2-to-1 margin.

"I hope future generations will consider the introduction of a Lange Day," a wrote to The Press, a newspaper in Christchurch. "This is to commemorate the date when the lamb refused to lie down with or the lion."

Mr. Lange's office said it was receiving more than 1,000 telegrams a day on the issue, 95 percent of them supporting his position.

New Zealand's neighbor, Australia, also has made an anti-nuclear decision. Prime Minister Bob Hawke told the Reagan administration last week in Washington that he would renege on a pledge to allow U.S. planes to use Australian

bases to monitor an MX missile test.

The United States replied that it would monitor the test without using the bases.

Mr. Hawke's decision, in contrast with Mr. Lange's, appeared to show that he had failed to realize the strength of the growing anti-nuclear sentiment in Australia, as he had changed his mind on the U.S. request after facing a revolt in his Labor Party.

Paul Kelly, a political analyst, wrote in the Australian that the "real casualty" created by Mr. Hawke's reversal was the "authority and competence of the prime minister, not Australian-American relations, which have sufficient depth to absorb such upsets."

Washington clearly views the action by New Zealand as the more serious of the two decisions, seeing it as undermining the effectiveness of the 34-year Anzus alliance of Australia, New Zealand and the United States. On Wednesday, President Ronald Reagan said: "We deeply regret the decision by the New Zealand government to deny port access to our ships."

The administration, worried that other allied countries might follow

But this is not an ordinary election, and we will not participate unless it is under the 1973 constitution." Sind is where the People's Party originated, and traditionally has been the most politically conscious province.

It is widely accepted in Pakistan, even by some of General Zia's supporters, that if the People's Party, headed by Mr. Bhutto's exiled daughter, Benazir, were allowed to contest a free election, it would gain a substantial majority in parliament.

When asked why People's Party members are not running as independents in the by-elections, with an eye toward gaining an ideological majority, Mr. Jatoi said the strategy was based on an expected maximum voter turnout of 20 percent.

"Where in the world would you accept a result of 20 percent? It is not a majority," Mr. Jatoi said. "No parliament has a right to legislate or form a government on that basis. So they will stand rejected. There will be a sharp reaction, and certainly the government will collapse within a few months."

He said that as a result of the referendum gave General Zia 97.7 percent of the vote, with the government contending that 62 percent of Pakistan's qualified electorate of 35 million voted.

Opposition leaders say that only 5 percent to 8 percent of the electorate voted, and that the results were rigged to give the appearance of an overwhelming endorsement not only of the Islamization of the country's government, but of General Zia personally.

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Israeli soldiers walked along the Jerusalem-Hebron road in the occupied West Bank last week near the Palestinian

refugee camp of Dehaishe. There have been a number of clashes between the camp's residents and Jewish settlers.

## West Bank Settlers Number 42,500, Study Says

By Thomas L. Friedman  
*New York Times Service*

JERUSALEM — The total number of Jewish settlers in the West Bank has reached 42,500, many more than most previous estimates, according to a new study.

The study, produced by the West Bank Data Project, an independent research group headed by a former Jerusalem deputy mayor, Meron Benvenisti, found that as of Jan. 1, 1983, there were 9,000 Jewish families living on the Israeli-occupied West Bank — a total of 42,500 people in 114 Jewish settlements.

"The conventional wisdom here, and the figure most frequently quoted, was that there were 28,000 to 30,000 Jewish settlers," said Mr. Benvenisti. "Our study shows how much further along the settlement activity really is. The current economic crisis is now slowing down

the number of housing starts on the West Bank, but this will not be felt in the number of settlers until 1986 and 1987. In the meantime, there is enough housing stock to allow for a continued growth of Jewish settlers at a rate of 2,000 families a year."

At the end of 1982, according to his previous census, there were 71 settlements with 20,600 Jewish settlers and 5,000 families, and at the end of 1983, the figure grew to 27,500 settlers and about 6,500 families.

"Given the present growth rates and if nothing intervenes to stop it — I don't see any reason to modify my prediction that by the end of the decade there will be 100,000 Jewish settlers on the West Bank," Mr. Benvenisti said.

An estimated 800,000 Arabs live in the West Bank.

Mr. Benvenisti's West Bank

Data Project is considered by many proponents and opponents of Jewish settlement on the West Bank to be one of the most authoritative sources of demographics on the region, and also the most up-to-date census provided by anyone, including the Israeli government. His research is funded by the Ford Foundation and the Rockefeller Foundation under the auspices of the Washington-based American Economic Institute.

He found that almost all of the increase in West Bank Jewish population in the last two years has been in existing settlements. Also, the housing units now under construction are primarily in the larger existing settlements, particularly the townships.

"This fact emphasizes the point," Mr. Benvenisti said, "that the addition of new settlements,

like the six new ones recently approved by the government, has no geo-demographic meaning. It is purely a political statement. A freeze on the building of new settlements at this time would be meaningless in demographic terms because most of the new housing and most of the new people are going into existing settlements."

### ■ Egyptian Call

The Egyptian foreign minister, Esma Abdel Meguid, told U.S. officials on Saturday that Israel must take measures, such as halting West Bank settlements, to advance the Middle East peace process, according to Egyptian Embassy sources in Washington who were quoted by Reuters.

The minister is in the United States for talks in advance of President Hosni Mubarak's visit next month.

## 2 Die as Israel Bombs PLO Faction's Building

*The Associated Press*

BEIRUT — Israeli planes bombed a building used by a Palestinian guerrilla faction in Lebanon's Bekaa Valley on Sunday, killing a woman and child, witnesses said.

In Beirut, a car bomb killed two persons, and another car bomb in the northern port city of Tripoli left four persons dead. Other reports said as many as seven persons died in the Tripoli blast.

The Israeli air strike destroyed a building in the town of Tsalibaya, on the Beirut-Damascus highway, two kilometers (about a mile) east of Chtaura, the headquarters of the Syrian Army in Lebanon.

Local reports said that the building had been used by the Democratic Front for the Liberation of Palestine, a pro-Soviet faction of the Palestine Liberation Organization, but that the guerrillas had left the building several days ago.

A family of three was in the building when the Israelis started bombing, according to these reports. The woman and child were killed, and the man was badly wounded.

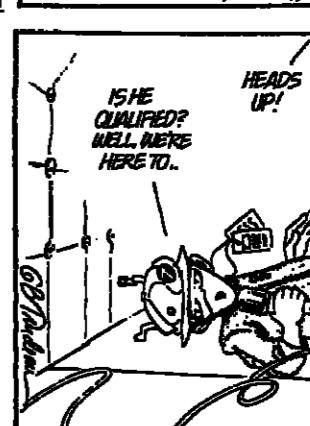
At the time of the strike, rallies were being held in Tsalibaya and nearby Syrian-occupied towns to mark the national referendum in Syria to endorse the reelection of President Hafez al-Assad.

No group claimed responsibility for the two car bombs. Police said the blast in mostly Moslem West Beirut killed the driver of the car carrying the explosives and his cousin.

The Tripoli bomb, outside a private hospital, was the second in 10 days. On Feb. 1, 10 persons were killed and 60 wounded when a similar bomb went off outside a mosque during prayers.

Pro-Iranian Shiite Moslems held

## DOONESBURY



*The Associated Press*

MOSCOW — About 900 sportsmen ice-fishing along the shore of the Sea of Azov were rescued by rowboats and helicopter crews after the ice they were standing on broke off and floated out to sea, a Soviet newspaper said Saturday.

The government newspaper Izvestia said the incident occurred in the bay of Taganrog in the southern Russian Republic, but did not say when.

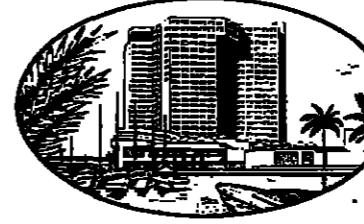
Soviet Ice-Fishers Marooned

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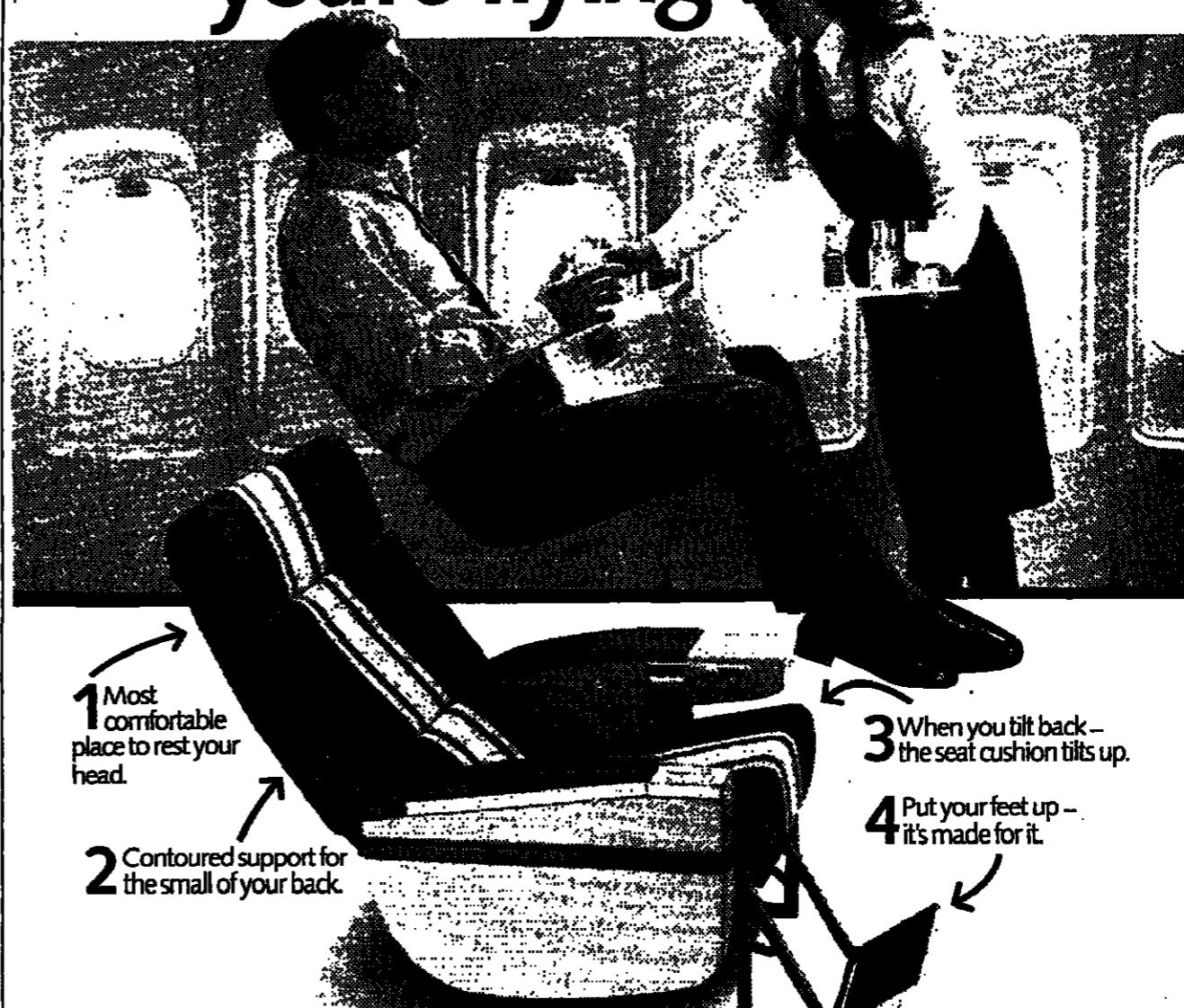
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## Middle East Peace Tops Agenda as King Fahd Arrives in U.S.

By Don Oberdorfer  
*Washington Post Service*

WASHINGTON — King Fahd of Saudi Arabia arrived Sunday in the United States to test the willingness of President Ronald Reagan to become more deeply involved in a drive for peace in the Middle East.

King Fahd, preparing for the Washington visit, met two weeks ago with Yasser Arafat, chairman of the Palestine Liberation Organization, and sent senior emissaries to Syria, Jordan and other key Arab states.

The king's position as the first state visitor of Mr. Reagan's second term, and the first of a number of Middle East leaders coming to Washington in the next several months, reflects the continuing importance accorded here to Saudi Arabia, which is rich in oil.

So does a letter delivered to King Fahd on Dec. 6 by Secretary of Defense Caspar W. Weinberger, containing what U.S. officials do-

scribed as "a very strong pledge of support for Saudi Arabian security."

The Saudis interpreted the document, which has not been released, and other statements by Mr. Weinberger as a promise that the United States will sell them about 40 more F-15 jet fighters.

A State Department official said that Cairo, Damascus and Baghdad had been the three main poles of the Arab world, and that despite more than a decade of intense Saudi importance they will continue to be the most vital.

The central question on King Fahd's agenda, sources said, is a Reagan role in reviving the stalled Arab-Israel peace process.

The Saudis and other Arab states took satisfaction from many elements of Mr. Reagan's Middle East peace plan of Sept. 1, 1982.

However, the Saudis are unhappy

that movement toward a broad Middle East settlement virtually has collapsed because of the war in Lebanon, the reluctance of King Hussein of Jordan to become involved as a negotiator with Israel and opposition to the Reagan plan by the previous Israeli government of Prime Minister Menachem Begin.

"Saudi Arabia is returning to its conventional role of not being the key Arab partner of the United States," said William B. Quisenberry of Brookings Institution, a former National Security Council official under President Jimmy Carter and the author of a book, "Sandi Arabia in the 1980s."

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The new Israeli government under Prime Minister Shimon Peres "displayed more flexibility" than Mr. Begin about the peace process, the official said.

He added that the possible next step could be a successful conclusion of the recently renewed dialogue between King Hussein and Mr. Arafat about negotiations with Israel.

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The last visit to Washington by a reigning Saudi king was in 1971, when King Faisal visited President Richard M. Nixon. King Fahd came to Washington on an official visit as crown prince in May 1977.

## Dr. Muriel Gardiner, 83, U.S. Psychoanalyst, Dies

*New York Times Service*

NEW YORK — Dr. Muriel Gardiner, 83, an American psychoanalyst who during her student days in Vienna smuggled false passports and money to help hundreds of people escape from Fascist-controlled Austria, died of cancer on Wednesday at the Princeton (New Jersey) Medical Center.

Dr. Gardiner was a medical student in Vienna in 1932 when she watched Nazis raid the school and threw Jewish students out of windows. She joined the anti-Fascist underground and, using the code name Mary, offered her apartment as a safe house for dissidents. For those who needed to flee, she smuggled false passports into Austria, usually taped in the inside of her coat, and provided the necessary sum of money for the journey.

In 1933, when Dr. Gardiner wrote her memoirs, "Code Name 'Mary,'" her publisher suggested that her exploits in the anti-Fascist underground were the basis for *Lillian Hellman's* portrait of Julia in *Miss Hellman's* memoir, "Pentimento." By then, the Julia story had become the basis of a popular film, and the statement created a stir.

Although Miss Hellman denied the connection, Dr. Gardiner pointed out that the resemblances in their accounts were remarkable. She noted that while she and Miss Hellman had never met, they had shared the same lawyer for many years.

**Sir William Lyons, 83, Founder of Jaguar Cars**

LONDON (NYT) — Sir William Lyons, 83, the founder of Jaguar Cars Ltd., died in his sleep Friday morning at his home near Leamington Spa in Warwickshire.

Sir William was the chief executive of Jaguar and its predecessor companies for 50 years until his retirement in 1972. He went into business in his native Blackpool making motorcycle sidecars in 1922. He expanded into car bodies and moved to Coventry, a major car production center, in 1928. The first Jaguar was built in 1935.

Jaguar merged with British Motor Corp. in 1966, which in turn merged two years later with British Leyland Motor Corp.

**Sam A. Jaffe, 55, Ex-TV Correspondent**

NEW YORK (NYT) — Sam A. Jaffe, 55, a former television correspondent who covered the United Nations for CBS News and reported from Moscow, Hong Kong and

Vietnam for ABC News, died of lung cancer Friday at his home in Bethesda, Maryland.

In 1976, Mr. Jaffe told a U.S. Senate committee that he had reported regularly to the Federal Bureau of Investigation on activities of the Soviet delegation to the United Nations in the late 1950s and early 1960s, when he worked for CBS. He said he had been unable to find a job in journalism after leaving ABC in 1969 because of a false charge by a Soviet defector.

Marvin Miller, 71, an actor, announcer and narrator best known for his role as Michael Anthony, the executive secretary to the mysterious billionaire John Beresford Tipton on a television program, "The Millionaire," Friday in Santa Monica, California.

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# INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

## What Peru Really Needs

The pope was constructively true to form, striking a deep chord among Peruvians by condemning political violence but demanding social justice. The Shining Path guerrillas followed their precedent, striking not with political countercougarment but with dynamite at Lima's power stations. Sadly, the performance of President Fernando Belaúnde Terry was just as predictably negative. In the week of John Paul II's stirring visit, the president could find no more imaginative use for international attention than to rail against Amnesty International for reporting on the thousand civilians who have disappeared in the course of his brutal counterinsurgency campaign.

Shining Path is not responsible for every atrocity attributed to it by a hard-pressed government; and the authorities cannot be expected to scrupulously respect civil liberties while fighting fanatical insurgents. Yet both sides, eager to shoot, have contributed to a breakdown of civil order. Combined with Peru's daunting economic difficulties, that casts a shadow over the future of democratic rule.

President Belaúnde has not been lucky. His 1980 inauguration, which ended 12 years of military rule, coincided with the outbreak of rebellion and the onset of economic collapse.

The Shining Path rebellion, nominally based on the teachings of a Maoist professor, took root in the discontent of poor and alienated peasants in the remote central highlands.

The economic reckoning also came quickly, speeded by the military government's excessive arms purchases and expensive nationalizations. Then export prices collapsed and the whole continent fell into a debt crisis. Recession has dragged on for four years, deepening rural poverty and urban unemployment. Peru has now stopped paying on its \$13-billion foreign debt. Only one sector of the economy thrives: the illegal production and marketing of cocaine. That, of course, benefits neither poor Peruvians nor government coffers.

If there is a basis for optimism it is in the presidential election due in April. A new administration could symbolize a fresh start, but who wins will need substance, too.

Washington could help. Reagan administration proposals to double military aid are worse than useless unless paired with economic and political support. The pope's words made clear the intimate link between social peace and social justice. Securing Peru's troubled democracy requires more than the shipping of guns.

—THE NEW YORK TIMES.

## Pacific Nuclear Allergy

Is there something in the water down under? No sooner does New Zealand take a long step toward opting out of its ANZUS alliance with the United States and Australia than the Australian prime minister says he's awfully sorry but he can't make good on his commitment to let American aircraft use local bases while they are monitoring nearby MX missile tests. Robert Hawke's awkward little announcement, which events at home made him deliver while he was visiting in Washington, is far less serious than what the New Zealanders have done. But it reflects a similar nuclear allergy, and it is difficult to see it on the loose.

In New Zealand, Prime Minister David Lange wants to have it both ways: to deny access to U.S. Navy ships because they might be nuclear-powered or nuclear-armed, yet remain a member in good standing of the security treaty. He and his supporters have come to see the U.S. nuclear umbrella as a lightning rod likely to draw an attack on them in a crisis. They treat requests to participate routinely in the common defense as provocative forms of interference in their sovereign affairs.

Most Americans, we suspect, will wonder what happened to New Zealand's traditional sturdy commitment to the principle and practice of collective security. But it is not for Americans to force upon any ally an unwilling measure or form of protection. There is no call for retaliation of any kind. (Economic sanctions have, foolishly, been mentioned.) But Americans cannot join Mr. Lange's little charade and pretend nothing has changed. What he proposes is freeloading. It flouts the political and moral requirements of alliance.

As a Pacific naval power, moreover, the United States cannot watch with indifference the spreading of different kinds of anti-nuclear sentiment through a vast realm of the South Pacific — no matter how tranquil and remote that region may now seem. As a world power it must consider what conclusions may be drawn by allies elsewhere and by other groups waving the anti-nuclear banner as they observe the American embarrassment in New Zealand.

The immediate focus of concern is Australia. Prime Minister Hawke leads a Labor Party with a left wing reinforced by a party called the Nuclear Disarmament Party. He has some friends and is said to hope to ease them by a propitious concession on the high-profile matter of supporting the MX tests. Washington is going along. Certainly it is far better that the matter of Australia's alliance participation be handled in its own political arena than to have it become a matter of diplomatic contention. We hope Mr. Hawke knows what he is doing.

—THE WASHINGTON POST.

## Make-Believe in Seoul

Whatever happened at Seoul's airport, they were not exactly throwing posies Friday when the exiled Kim Da Jung returned to South Korea. The country's best-known opposition leader was hustled away from the Americans who accompanied him, and they in turn were roughed up by security police. So with the whole world watching, South Korea's military regime bared its fists in an inexcusable and juvenile show of pugilism.

To be sure, Seoul denies that any beatings occurred. But Mr. Kim says otherwise. So do two U.S. representatives, a former U.S. ambassador and a former assistant secretary of state for human rights. Besides, the Seoul regime saw to it that foreign reporters were kept on their plane during the crucial encounter, assuring confusion about what happened.

Perhaps Mr. Kim's American escorts were simply so drunk and had not been told that shoving and punching are considered mild by local standards. But they understood that they would be allowed to see him home, where he and his wife were now under virtual house arrest. Events recalled too vividly a scene in Manila in August 1983, when another exiled democrat, Benigno Aquino, was killed on arrival while in the hands of a military welcoming committee.

President Chun Doo Hwan is unlikely to do

anything so drastic. His Fifth Republic is electing a National Assembly on Tuesday and he wants favorable headlines for this limited plebiscite. Nor does he want publicity that could unsettle plans for a state visit to Washington in April. Down the road lie the 1988 Summer Olympics, when his regime hopes to gain respect and acceptance as something more than a police state.

So why the mauling at the airport? Why not let Mr. Kim return in peace, and leave him in peace? Why, for that matter, not loosen press controls and give South Koreans political as well as economic freedoms? The usual explanation is that the military rulers fear corruption and demagoguery that would be exploited by the Communist North. So, deceptively, they write make-believe constitutions that offer paper guarantees that crumble when tested — resisting the North by imitating it.

Americans have sound security reasons for continuing to defend South Korea, and economic reasons for welcoming its trade. But there are no reasons for swallowing this make-believe. If South Korea wants the respect of Americans, a good beginning would be to apologize for the airport outrage and to make sure that Mr. Kim remains unarmed.

—THE NEW YORK TIMES.

## Other Opinion

### A Speech Not Meant for Europe

There is no good news for Europe in [President Reagan's] State of the Union speech, and a fair amount of bad news. The Reagan administration is not going to do anything coherent to reduce the federal budget deficit and will certainly not cut its main defense projects to reduce the gap. The dollar will continue to climb, or at least to remain wildly overvalued, while the other main currencies of the world tumble around uncontrollably and panicky

—The Observer (London).

### FROM OUR FEB. 11 PAGES, 75 AND 50 YEARS AGO

**1910: Dutch Deny 'German Threat'**  
THE HAGUE — In the First Chamber of the State General [on Feb. 10] there was a sequel to the suggestion made recently by Baron van Heeckeren that the German Emperor had threatened an occupation of Dutch territory if Holland did not put herself in a state of defense against Great Britain. Dr. de Mares /van Swinderen, the Minister of Foreign Affairs, denied that Queen Wilhelmina had ever received any letter, telegram, note or document of the kind described, or that the Queen had ever held any conversation with the Emperor on the subject. The Minister concluded his statement with an expression of his appreciation of the German Emperor, whose friendship for Holland had been shown often.

**1935: Islands at Issue in the Far East**  
WASHINGTON — Reports that Japan might seek to have its Pacific islands excluded from any non-fortification pact, while limiting fortifications of Hawaii and Singapore, caused officials here to express doubt if Tokio would take such a step. It was pointed out that Japanese newspapers which carried the reports possibly failed to realize that Hawaii and Singapore were not included in the *status quo* clause of the Washington naval treaty and therefore the United States was at liberty to construct whatever fortifications it desires at Hawaii, while Great Britain may do likewise at Singapore. They also scoffed at the Japanese claim that their Bonin Islands were "purely" defensive, while Hawaii and Singapore were offensive.

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A Monthly Report for the International Investor

INTERNATIONAL  
Herald Tribune

Monday, February 11, 1985

# PERSONAL INVESTING

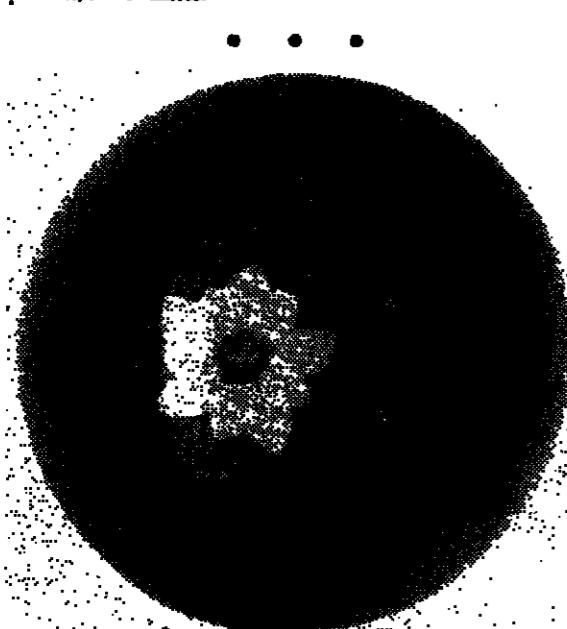
## INVESTOR'S Notebook

### Making the Most Of a U.K. Rate Rise

The Thatcher government's strategy to defend the pound through higher interest rates has sent a shiver through British markets. But Michael Jankowski, chief bond economist at Simon & Coates in London, regards the rate rise as an investment opportunity. Far from bemoaning the recent 2-point increase in base lending rates, Mr. Jankowski says it gives investors a chance to lock in attractive yields and position themselves for a rally in U.K. government bonds, called gilts, when rates fall later.

Yields on gilts of 15-year maturity are running at 11.5 percent on a semiannual basis, slightly higher than comparable U.S. Treasury debt, he notes. Given the usual relationship between U.S. and U.K. bonds, the " gilt market has great scope for a reduction in yield," he argues. With British inflation at about 5 percent a year, real yields are high. Also, "the perception right now is that sterling is undervalued on any basis," he says.

He expects the government to let interest rates ease downward as soon as practicable, setting the stage for sharp increases in gilt prices. On the basis of price alone, the U.K. bond market could outperform the U.S. bond market by as much as 11 to 12 percent, he estimates.



A rare St. Louis blue-ground bouquet weight

### A Major Auction Of Paperweights

Collectors of Old Masters have their Rembrandts, sculpture devotees their Rodins. But it is the Clichys, St. Louis' and Baccarat that excite a serious student of paperweights. These are the three glassworks in France that produce the most sought-after paperweights. Their pieces, experts say, are considered essential for a serious collector.

On March 14, Christie's will hold an auction in New York of Clichy, St. Louis and Baccarat works acquired by the late R. Henry Norweb, former U.S. ambassador to Paris and other European posts. Mr. Norweb assembled an impressive collection of paperweights from around the world.

Initially, paperweights were used for purely practical purposes in the 19th century. But as glassmakers became more elaborate and colorful in their designs, paperweights gradually were moved from desk tops to display cases.

Although paperweights have been the object of serious collecting since the early 20th century, interest was revived in 1979 when the Gingham Weight, a feral design by St. Louis, fetched \$100,000 at a London auction. Rachel Russell, a ceramics and glass specialist at Christie's, says prices of \$10,000 to \$20,000 for the weights are not uncommon.

### Dollar Surge Hurting New York Apartments

Politicians and bankers are not the only ones howling about the rise in the dollar. New York City real-estate agents are complaining that the currency's record performance is discouraging foreign investors from buying luxury condominiums.

Luxury buildings like the Trump Tower, Trump Plaza and Park Tower, where apartments range from \$500,000 to over \$1 million, still report good sales. But New York brokers say a drop in the number of foreign buyers has contributed to a significant slowdown in the rate of appreciation on luxury condos.

"Three years ago, we sold at least half of the Trump Tower to foreigners," says Jacqueline Sonenberg, a sales representative for the Trump Organization. "In the last 18 months it's been strictly Americans."

For 1985, Marc Brotzeyer, a partner with Bellmar Inc., estimates that the annual return for condominiums priced over \$1 million will fall to 10 percent from 18 percent to 20 percent in 1984. The appreciation of condominiums selling in the lower price range of \$300,000 to \$600,000 is higher, but brokers doubt that returns will match last year's 30 percent to 40 percent.

A lower rate of appreciation, brokers warn, could sour the appetite for million-dollar condominiums even more. Unlike cheaper condominiums, it is difficult to rent luxury apartments at a monthly rate that covers an investor's overhead.

### Next Month

The big investment houses worldwide produce a bewildering array of research for investors and the professionals who advise them. Investors often complain that the endless reports on markets and companies offer them little substantial guidance, while the analysts say their role is misunderstood. In its March 11 issue, *Personal Investing* will look at how research is carried out and its usefulness to the investor.

Also next month: The attractions of Swiss financial stocks and the economics of stamp collecting, plus regular features such as *Chart Talk* and coverage of international funds.

*Personal Investing* is published on the second Monday of the month. Readers are urged to make the appropriate inquiries before committing funds to any investment.

## Penny Stocks: Tales of Peril And Profits

By John Meehan

**I**n 1982, Falcon Sciences Inc. looked like an exciting opportunity for bargain-conscious investors. The small New Jersey company had obtained a license to develop and market a method using steam to enhance oil-well production. Though inexperienced in the field of new technology, company announcements indicated that everything was going smoothly. Falcon even managed to clinch a few promising agreements its first year out.

And while the background was attractive, the price was outright seductive. In the space of a year, Falcon's share price went from a meager 20 cents to over a dollar in over-the-counter trading. And the upward momentum showed no sign of slowing.

Falcon looked too good to be true. Investigators at the Securities and Exchange Commission thought so too. After a closer look at Falcon, they came away with a picture that differed decidedly from the company's public image.

Falcon, according to an SEC investigator, was not the growing technology concern it appeared to be. Progress reports put out by the company were misleading and its transactions of questionable value. And instead of earning a living from engineering expertise, the commission said, a substantial portion of Falcon's revenue came from three unauthorized, possibly counterfeit, shares

operators have earned the market an uncommon notoriety.

"The penny market" is a term broadly applied to new and speculative issues in the United States that sell for no more than \$5 a share and often for just a few cents. Most are shunned by the Wall Street establishment and find their way to the over-the-counter market with the help of regional writers.

While the debate over the legitimacy of penny stocks as an investment continues to rage, there is no disputing the public's fascination with the pennies. Given their humble beginnings, penny stocks have a lot more room for price movement and pack more of a thrill than blue chips. It is not uncommon for some penny stocks to double in value overnight. Moreover, if a fledgling company survives the bumpy transition to a going concern, the gains can be staggering.

River Oaks Industries, a mobile-home manufacturer based in California, is the latest in the market. It began trading over-the-counter at 50 cents a share in 1980 but has since climbed out of the



penny league and goes for more than \$7 on the New York Stock Exchange.

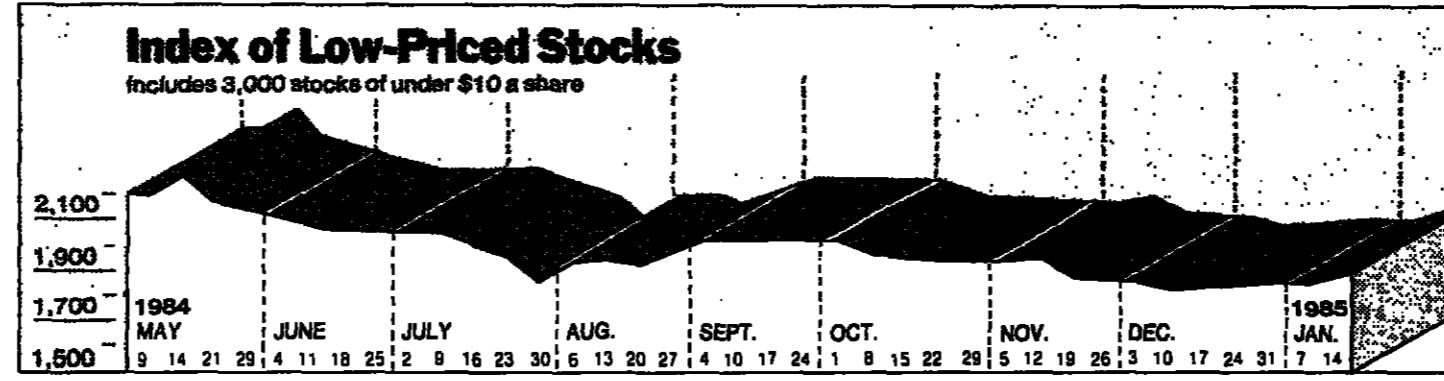
"A lot of people think they can make quick profits at these low prices," said R. Max Bowser, publisher of *The Bowser Report*, a monthly penny stock newsletter. "But the real successful players in the market are not only selective but have a lot of patience."

The penny-stock market has gone through a lot of changes since turn-of-the-century gold and silver prospectors in states like Colorado and Utah, far from the established markets back East, distributed penny shares to local townfolk to raise cash. While Denver, Colorado, is still considered the mecca of five-and-dime stocks, the emergence of New York, New Jersey and Florida as new-issue centers has considerably altered the market.

The oil and mining stocks that dominated the market for the better part of its existence are no longer its mainstay. The penny market has given way to more trendy issues. High-technology and home-health-care stocks are now the rage.

Still, one similarity binds today's pennies with

(Continued on Page 10, Col. 1)



## FUNDS

### Channel Funds Are Back

By Lynne Curry

**A** VIOLENT swing in exchange rates, such as the dollar's latest surge, can wreak havoc on the best laid investment plans. It is little wonder that offshore currency funds, which were stung by British tax changes in 1983, are again beckoning anxious investors.

By some estimates, there is well over \$1 billion in these offshore funds, which are principally based in Jersey and Guernsey in the Channel Islands. The funds, which are usually set up by banks, operate much like a money-market mutual fund. They sell shares denominated in a variety of currencies and place the proceeds in the interbank deposit market and a wide array of money-market instruments.

"They offer a high degree of flexibility, access to cash and, in a particular week, if one is not bothered that he may not get the finest return on every currency, they are superb vehicles," says Martin Simulian, financial director of Bishop Cavanagh Ltd., a British financial consultancy. "Overall the mechanism is excellent."

In general, the funds offer better rates than an individual could obtain at a local bank for smaller, short-term deposits, along with having the flexibility to switch among currencies easily. By pooling investors' money and placing it in a variety of instruments and currencies, the funds can also reduce the risk of sharp exchange and interest-rate movements. Here are some of their main features:

• Investors can choose a fund in which the underlying deposits are in a single currency or a fund that is made up of a basket of currencies selected and managed by the fund's bank. In single-currency funds, most banks offer shares denominated in the U.S. dollar, the British pound, the Deutsche mark, the Swiss franc and the yen. For the managed multi-currency funds, shares are usually denominated in pounds, dollars or Deutsche marks, though the underlying fund assets can be in a wide range of currencies.

• For tax reasons, funds are further divided into "distributor" funds, which pay dividends every six months, and "roll-up" funds, which accumulate interest earned.

• Share prices vary widely, but all are geared primarily to the individual investor. A share in Citibank (C) Ltd.'s Citifunds is about \$10, while shares in Schroder Money Funds Ltd. cost about £10,000 (\$11,250). A typical currency fund deposit is between \$1,000 and \$6,000.

• Fund management fees charged by the banks range from a half of one percent a year to as much as 2 percent a year, with the managed funds charging the higher fees. These fees can have a big impact on a

## Top Performers

The 10 offshore currency funds with the best total return in 1984. Both capital gains and dividends were taken into account regardless of the fund's stated objectives.

	1984	2 years
Geofund Liquid Assets U.S. Dollar (Accumulation shares)	11.2%	21.9%
Geofund Liquid Assets U.S. Dollar (income shares)	11.2	21.9
Liquibear (Julius Baer) U.S. Dollar	11.2	21.1
Schroder Money Funds U.S. Dollar	10.4	19.4*
Fidelity Dollar Savings Trust U.S. Dollar	10.3	20.1
County Bank Currency Fund U.S. Dollar	10.2	16.0*
Standard Chartered Offshore U.S. Dollar	10.2	13.0*
Old Court Int'l Reserves U.S. Dollar	10.1	19.9
Leazard Brothers Int'l Assets U.S. Dollar	10.1	19.4
Hill Samuel Int'l Currency U.S. Dollar	9.9	19.3

\*Not in existence for the entire period measured

Source: Lipper Analytical

fund's attractiveness. "The return is influenced by whether there is a high management charge," said Peter Scott, a director of Gartmore Investment. "It takes a long time to recoup some charges."

• Some funds impose a sales charge, called a front-end fee, especially for managed funds. For example, the Geofund Liquid Assets fund, managed by Manufacturers Hanover Investment Management Ltd., charges one percent of the initial investment, while Rothschild's Old Court International Reserves Ltd. charges 3 percent.

• Procedures for redeeming the shares are fairly standard. In most cases, there is no minimum or maximum holding time, but most banks will require at least a two-day settlement period, the normal

## U.S. Takes Another Swipe at Secrecy

By Robert C. Siner

**T**HE simmering feud between the United States and foreign investors over the issue of bank secrecy and tax evasion has erupted anew.

This time, the parties are skirmishing over a U.S. Treasury proposal to tighten proof-of-residency requirements for foreign purchasers of American securities. In effect, the plan would require foreign investors in U.S. stocks and bonds to provide residency certification from their governments.

Under current law, foreign owners of U.S. stocks and bonds are subject to a 30-percent withholding tax on interest and dividend payments. Withholding on interest from bonds issued after July 18, 1984, has been repealed.

Many people, however, avoid the deduction or qualify for a lower withholding rate through a network of tax treaties between the United States and about 30 nations. All of Western Europe and Japan have such agreements with Washington. For example, West Germans have only 15 percent of their dividends withheld.

It is relatively easy to benefit from treaty provisions. Buyers need only state that they are not U.S. residents and provide a foreign address. Many times they can simply purchase stocks through a bank in a treaty country and be taxed as a resident of that nation.

Treasury officials contend that the regulations are being abused. They suspect that Americans are using foreign banks as a tax dodge and that residents of non-treaty countries are purchasing U.S. securities through banks in nations that qualify for reduced withholding. Moreover, tax evaders are difficult to catch because secrecy laws in many countries prohibit banks from providing information about a purchaser without client consent.

To counter such abuses, the Treasury wants foreigners to prove their residency. Under the proposal, overseas investors would have to submit a certificate of residency stamped with the official seal of the foreign tax authorities each time they purchase a U.S. security. The documentation would be required for all U.S. stocks. It also would affect interest payments from bonds issued before last summer's decision to eliminate withholding.

It is part of an overall program to try to close up some of the more obvious areas of abuse," according to an official at the Internal Revenue Service. "What we're saying is if you claim benefit in a country, then you certify that's where you live."

Not surprisingly, the proposal has drawn strong criticism from foreign banks with customers who want to remain anonymous. They argue that they cannot comply with certificate-of-residency requirements without violating the laws of the countries in which they operate.

"The Swiss in particular weren't too happy," a U.S. official said.

Also trapped in the middle are U.S. banks

(Continued on Page 12, Col. 3)

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(Continued on Page 10, Col. 6)

## THE BOURSES

# Penny Stocks: The Ultimate Speculation

(Continued from Page 9)

their forerunners: risk. Most companies trying to raise capital through penny issues are long on ideas and short on assets.

Many are trying to sell a product or service that is little more than a gleam in someone's eye. For example, a July 1983 prospectus for a California company stated, "The company does not know what business it will engage in, has no plan of operation other than it will not engage in exploration for oil and gas, fuel distribution or minerals extraction business."

Irving Hale, executive vice president of R.B. Marich, a penny broker in Denver, acknowledged that, "When you talk about penny stocks, you're talking about the speculative to the highly speculative. We strongly discourage the widow and orphan types from playing the market."

Indeed, start-up companies have a high mortality rate. About half go bust within the first five years, and it's no accident that these casualty-prone stocks gravitate to the lower end of the price range. Companies with no pasts and uncertain futures often find investors a lot more receptive when selling 100 million shares at 10 cents each rather than 100,000 shares at \$10 a piece.

Those in the industry acknowledge the problems but say that critics are ignoring a key role the market plays. "Small businesses don't have an easy time getting funded," said Theodore Abruzzese, president of Wall Street West, a leading penny-stock underwriter. "Wall Street won't bother with them so where can they go? There is a crying need for this market."

Moreover, Mr. Abruzzese points to an "underlying consumer demand" for penny stocks. "Penny stocks will continue to thrive as long as people want them," he said.

Nowadays, the market is at a low point. A combination of adverse publicity, regulatory crackdowns and the uncertain mood about equities that prevailed last year has depressed the prices of penny stocks. Several penny brokers have been forced to close and the number of new companies going public has significantly fallen.

Yet there is still interest among investors, especially when the stocks are at a few cents a share. Some market observers say if there is a rally on Wall Street this year, the bullish fervor is bound to trickle down to the speculative end of the market.

"I don't have a crystal ball, but I do know the market always comes back," said Terry Freeman, publisher of the National OTC Stock Journal, which covers low-price, over-the-counter stocks. "Low priced stocks are noted for their boom-and-bust cycle."

Critics agree that there is potential in the market for a careful investor. "If you're not willing to do your homework, don't play the market," Mr. Freeman advised. "If you're not prepared to wear some armor, you're going to be slaughtered."

Among the more prevalent abuses to watch out for are brokers' claims to favorable insider knowledge about a new issue. Some brokers promise clients unattainable results to make a sale. Failure by the underwriter to disclose all information about a company is another common problem. There have been cases in which companies never stated the full extent of their debts and handed over the receipts of a public offering to creditors, leaving shareholders with worthless certificates.

In addition, the very fact that these stocks sell for pennies makes them vulnerable to price manipulation. Regulators say there have been instances in the past when two or more underwriters concurrently buy and sell equal amounts of stock after a public offering to give the appearance of market activity and to raise the share price. Then they sell off quickly and the stock collapses.

"It's a lot easier to push up the price of a \$1 stock than something that sells for \$50," noted Anne Flannery, associate regional administrator for enforcement in the New York office of the SEC.

Penny shares fall victim to abuse because little is known about most of the companies. Information on start-up companies is nil. Even information on the selling price of a stock is hard to come by.

Initially, many penny shares do not qualify for the



Anne C. Flannery

National Association of Security Dealers' automated quote system, where trades and prices are recorded on a computer. Most trade through "pink sheets," price tables issued once a day. The sheets do not quote every stock every day, however.

"There is no instantaneous reporting," Miss Flannery said. "No one really knows on a timely basis who is buying or selling a stock." Moreover, she said, investors seem less inclined to press for information when spending only a few cents a share.

Aside from a close reading of the prospectus, one method of limiting vulnerability is to spread the risk among several stocks. A diverse portfolio of as many as 20 penny stocks is not uncommon. A handful of penny-stock funds are available but their recent performance has generally reflected the weakness in the market.

Some analysts also urge investors to avoid issues that seem to have an infinite amount of shares outstanding. This

is a common occurrence in the penny markets where underwriters price an issue low enough to attract attention but are forced to inflate the size of the offering to raise sufficient capital. Earnings of \$2 million, not bad for a start-up company, can be meaningless if distributed among 50 million shares.

Some penny professionals stay away from new issues, especially ones that go for just a few cents a share. Although some show the quickest appreciation, many fall prey to short-term speculators, who have traditionally proved the market.

"Suppose something goes public at 10 cents a share, begins trading at 30 cents," Mr. Bowser explained. "By the time it reaches 30 there is already some selling and at 50 cents a [speculator] has sold out and is chasing something else."

Mr. Bowser prefers "miniprized" stocks that range from \$1 to \$3. These have usually withstood the initial speculative battering and have developed some kind of track record.

And instead of depending on a price/earnings ratio that is often meaningless in the new-issue market, he uses an asset/liability ratio to make sure he is buying into a viable concern and not an overburdened business headed for failure. Mr. Bowser thinks a ratio of 1.8 is the minimum acceptable. For example, if a company has \$1 million in liabilities, it better have almost twice the amount in assets.

The hottest category in the market currently is health care, according to Mr. Bowser. He likes Cosmopolitan Care Corp., which provides a home-health-care service. It went public last May at \$2.50 per unit, which included a share of common stock and a warrant to buy another share. It is now trading at more than \$3 on the American Stock Exchange. Allied Nursing, another Bowser favorite, went public last year at \$1 a share. It is now trading over-the-counter at around \$1.60 bid.

Bill Matthews, publisher of Cheap Investor, a Chicago-based newsletter, has a slightly different strategy. He prefers stocks that have been around for awhile especially former high flyers that have stumbled into the ranks of the pennies.

A recent favorite has been American Motors, which slumped to a low of \$3.25 on the New York Stock Exchange. Mr. Matthews reckoned that it was due for a turnaround, and it is now trading around \$4 a share.

While many people in the penny market may find his approach unorthodox, Mr. Matthews contends that his Blue-Cheap index, made up of 27 out-of-favor stocks that trade for under \$10 a share, has risen by more than 180 percent since 1981.

"I'd say 90 percent, no 95 percent, of penny stocks are junk," Mr. Matthews acknowledged. "But that still doesn't mean that there isn't quality out there."

□

## Scouting Has-Beens in London

By Lynne Curry



their share prices. Prices range from 10 pence (11.2 cents) a share to 25 pence for the some 300 stocks classified as pennies, although a few trade for as much as 50 pence.

Occasionally one of the companies recovers, but investors generally are not looking for a comeback. Rather, it is the possibility of a takeover that intrigues speculators — private companies in Britain find it less expensive to acquire an existing company rather than go through a takeover and paperwork of going public.

The classic penny stock in London is Poly Beck. The company was a small, unprofitable textile maker with a market price of about 12 pence when Asil Nadir, a Turkish-Cypriot entrepreneur, bought it out in 1980.

Mr. Nadir subsequently used the company as a vehicle to develop his citrus packaging and packing plants in Northern Cyprus and Turkey. Later, he revived the company's former textile business, and the share price soared to 3,550 pence in 1983.

In January, 1984, Poly Beck shares split 10-for-1; the stock is currently trading in the range of 235 pence. □

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IHT 11/2

## Foreigners Climb Aboard The Rally in Frankfurt

By Warren Getler

**T**HE Frankfurt Stock Exchange, once regarded as one of the stodgiest markets in Western Europe, has taken on an air of excitement.

The Commerzbank Index of 60 leading shares, which closed 1984 at an historic high of 1,079, continues its record pace. The index climbed to a high of 1,171 on Jan. 23, and although it has since fallen from that peak, is expected to push past 1,200 without much resistance in the coming months.

"We're confident that upward trend will continue, showing a gain of 10 percent on the year," said Wolfgang Otto, executive vice president at Commerzbank.

In explaining their *oversight* — the German equivalent of bullishness — brokers and analysts cite several anticipated economic benefits. Steady, non-inflationary growth of around 3 percent, a 10-percent increase in corporate earnings and expanding capital investment are projected.

Rising interest rates, however, spoil an otherwise favorable economic picture. A half-point increase in the Lombard rate to 6 percent Feb. 1 was a setback to the market. Investors fear the Bundesbank may push rates even higher to defend the mark against the dollar.

Ekkehard Scheid, a partner at PM Portfolio Management, Munich-based underwriter, warns that rising rates could in effect put a lid on German stock prices.

An intriguing aspect of the Frankfurt rally is the depth of foreign participation. German stocks have never had a reputation for attracting the interest of foreigners the way U.S. and Japanese shares have.

The Frankfurt market is dominated by big, closely held companies. Share prices rise and fall at a snail's pace, and there is not a lot of opportunity for bargain hunting. Smaller companies have traditionally shunned the equity market as a source of capital, relying on bank borrowing instead.

Nevertheless, foreigners accounted last month for more than half of all stock purchases, and money continues to pour into German stocks from abroad. Much of it is from U.S. pension funds managed in London.

In large part, the new fascination with German equities stems from concern about the dollar. The Deutsche mark is seen gaining most from a weaker dollar, and investors in German securities are clearly attracted by the prospect of reaping huge currency gains. In the meantime, the mark's relative weakness is benefiting German exporters.

Some investors outside Germany hope the influx of foreign investors will liven up the market. There are some signs that the environment there is changing. By German standards, last year was unusually active for new issues. Both Nixdorf and Porsche turned to the stock market rather than to banks for funding.

Regardless of the motives of foreign investors, analysts say that their interest has played a key role in the current rally. They will continue to provide a healthy nudge to the market, analysts say, providing the mark stays weak against the dollar.

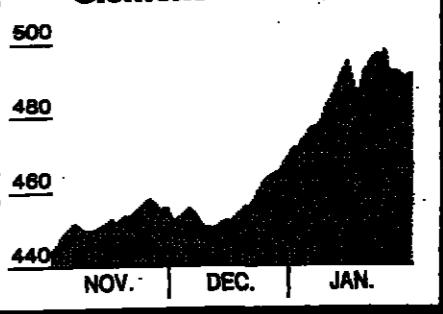
"If the dollar drops, possibly as a result of coordinated central-bank intervention and interest-rate hikes, we'll see high profit-taking here and the index will fall," cautions Dietmar Vierel, analyst at Trinkaus & Burkhardt, a Düsseldorf-based private bank.

Timothy Plant, a German market specialist at E.B. Savory Millin in London, believes the German market is experiencing the second leg of a rally that began in September 1983 and resumed after the metalworkers strike last summer. This conforms with the historic German pattern of bull markets lasting two to three years.

"I'm recommending the phalanx of stocks that will be leading German economic growth in 1985: broad-based exporters and manufacturers of capital goods, especially machinery and electronics," Mr. Plant said. Exporters, he added, should not have a disproportionate amount of their business in the United States.

Analysts agree when it comes to identifying issues to avoid in 1985, a year when consumer demand is expected to remain depressed as unemployment con-

**Siemens**



Source: Dataport

The sharp rise in Siemens shares.

tinues to hover around 9 percent. Department stores and home construction shares top the list of untouched stocks.

Siemens, the electronics giant, is a favorite among market watchers for 1985. Its share price has pushed past a record 500-DM level from lows of 350 last July. The company also is increasing its dividend for the first time in more than 12 years, to 10 DM from 8 DM.

Standard Elektrik Lorenz, the West German subsidiary of ITT Corp., could see its share price surge steadily in 1985, according to some analysts. The company is bouncing back from several disappointing years with the help of major infusions of investment capital from the U.S. parent. SEL's price/earnings multiple, however, hovers around 24, too high for many potential buyers.

As for the hot high-technology electrical stocks, Nixdorf and Philips Kommunikation Industrie, analysts are recommending a more cautious line. The markets for these shares are thin and their multiples are over 20, considerably above market averages.

Karlfried Samer, a Deutsche Bank analyst, takes a slightly contrarian view, however. He points out that Nixdorf, the market's only true computer company, has more opportunity to benefit from an upward trend in the industry than bigger, more diversified Siemens. On the other hand, Philips Kommunikation has simply exploded to the 700-DM level from 400 in July and is bound for a major consolidation, says Margot Schoenau at Westdeutsche Landesbank in Düsseldorf.

Paralleling electricals as top buy recommendations are machinery makers, including KHD, Linde, GHH and Deutsche Babcock. The latter two are favored by Mrs. Schoenau because of their greater turnaround potential in profit performance. Babcock, for instance, is restoring a dividend after a two-year hiatus.

A third broadly recommended group is the financial sector, including the three major commercial banks and several insurance companies led by Allianz Versicherungen.

Market analysts hold mixed views of the chemical and automobile sectors, both of which had strong profit years in 1983 and 1984.

"The big three chemicals, Bayer, Hoechst and BASF, are not my first choice to buy this year in so far as they won't be the nation's growth leaders," said Mrs. Schoenau of Westdeutsche Landesbank. They may be able to maintain the fantastic profits posted last year but earnings are not likely to go higher, she said.

Commerzbank's Mr. Otto is bucking the skepticism about big chemicals and is strongly recommending Hoechst, Bayer and BASF because their shares are undervalued, selling at P/E ratios of below 6. In addition, the three may increase their dividend on 1984 results by 2 DM, a mark more than originally projected. Mr. Otto said he also favors a specialty chemical issue, Altana, despite its thin market.

Auto issues, with the exception of the widely sought blue chip, Daimler-Benz, and the dynamic new listing, Porsche, are not being recommended strongly this year by brokers because of trouble surrounding the emission-control debate in the home market and in anticipation of slackening foreign demand. □

Rethink  
By William McBrine

It's time to rethink the way we do business. The world is changing, and we must change with it. The old ways of doing things are no longer effective. We need to be more innovative, more efficient, and more

# Rethinking the Index Options

By William McBride

**T**O hear many investors tell it, the attractions of stock-index options can be summed up in two words: simplicity and profit. "As a vehicle for speculating, it's a low-priced, highly leveraged way to bet on the market," says Robert Katz, an experienced Chicago investor and money manager. "And it's a lot easier to guess a market move than the movement in a single stock."

Yet, Mr. Katz says he no longer uses index options to speculate, even though he had "made some money" in the market. "Trying to outguess the guys on the other side of the transaction just became too difficult," he said. He now pursues a strategy that uses index options mostly as a means to hedge his portfolio of convertible stock.

Mr. Katz' change in focus is instructive. While there is little doubt that some speculators have done well at the index-options game, many experts remain skeptical of the average investor's ability to outguess the market on a consistent basis. They say the market has attracted such a large number of well-financed institutional players that individuals find opportunities for profit extremely rare.

"I don't really believe that the average person can really make money speculating in these options," said Donald T. Mesler, a Chicago investment adviser. "Occasionally you're going to make out like a bandit, but, over the long haul, I'm not very optimistic about using these options for speculation."

Such negative thinking has not held back the ranks of the nonprofessional players who helped push 1984 volume in the Standard &

Poor's-100 index option to nearly 49 million contracts on the Chicago Board Options Exchange. Each day, about 300 traders crowd into the pit area to trade the S&P-100 contract, which alone accounts for 87 percent of total volume in index options.

Roundly 70 percent of all trading volume in the S&P-100 contract is by market makers on the floor of the exchange or by member firms for their own account. The clients of brokers account for 30 percent.

Jerome Mangin, of Bache Securities in London, said that for about 95 percent of the individuals who play the S&P-100 index options, "it's a pure speculative play." Few depart from the basic strategy of purchasing a call, which grows in value as the index rises, or a put, which profits from a decline. Most shun the complicated combination strategies called straddles and spreads.

The reason that many speculators will end up on the losing end are complex and involve the way that options are priced and the structure of the market, the experts say.

They note that the options market is a zero-sum game with two sides. On one side are the buyers of puts and calls who pay a price for the contracts, called a premium, in the hope that the index will move sufficiently to create a profit. On the other side, are the sellers of contracts who, in effect, cover those bets in return for receiving premiums.

Neither side can long enjoy an advantage over the other. "If buying options was such a good deal, then investors would push up the price until premiums were so high that the strategy would quickly become unattractive," Mr. Mesler says. Conversely, if selling options gave investors a meaningful edge, "sellers would come out of the woodwork" and the

advantage would quickly dissolve.

Observers of the index-option market note that premiums are set by the competition of tens of thousands of well-financed buyers and sellers. Any contract that is perceived to be undervalued relative to the expected performance of the index will quickly be spotted and the premium bid up. Similarly, a contract perceived as being overvalued will be sold and the premium dragged down.

By definition then, the speculator can only make money by consistently buying undervalued contracts or selling overvalued ones. But, with the entry over the last year or so of increasing numbers of high-powered institutional players, these opportunities appear less frequently.

This makes it particularly tough for the individual, who may not have the means or time to analyze and track the market. The return on occasional speculation "is not going to be very satisfactory," says Gary Gastineau, an options expert with Kidder Peabody. "This is an extremely efficient market."

For the buyer of a call or put, it is not enough to guess correctly about the direction of the market. A buyer of a call, for example, can be right about the index rising, then be wrong about the magnitude and timing of the increase. If, during the lifetime of the contract, the index does not rise beyond the option's so-called striking price sufficiently to cover the premium and commission cost, then the option will expire worthless.

By some estimates, about 70 percent to 80 percent of all call contracts expire worthless.

Mr. Mesler says the speculator in index options is simply employing the investment technique called market timing, which entails trying to guess short-term swings in the mar-



A floor trader signals a bid in the S&amp;P-100 option pit in Chicago.

## The Basics

■ An index option can either be a call, a bet that the index will rise, or a put, a bet that the index will fall. The buyer selects a striking price and expiration date and is charged a premium for the contract, plus a commission by the brokerage.

■ Index options are unique in being settled by cash payment. If a contract is exercised, its value will be the difference between the striking price times \$100 and the index times \$100.

■ For example, an investor who expects the market to rise could buy a \$100 call option with an April expiration and a \$100 striking price. The premium would be about \$600. If the index were to rise before the April expiration to 180, the buyer would cash out of the position and receive a cash payment of \$1,800 ( $180 \times \$100$ ) minus \$600. If the index had failed to rise sufficiently to create a profit, the contract would have expired worthless.

## Eurobonds: Making Use Of Ratings

By Terry Gross

**Q**UALITY has always been the watchword in Eurobond market. For the average individual investor, that term has usually been synonymous with bigness and a well-known name, such as IBM, General Motors or General Electric, to name a few among the pantheon of top U.S. corporate issuers.

But slavish devotion to the instantly recognizable corporate name can cut into the returns of a portfolio. With a few big-name U.S. corporations issuing Eurobonds that yield less than U.S. Treasury bonds, investors may well wonder at the high price of "quality." Yet fishing for more attractive yields among the issues of lesser known, smaller companies has its own perils. There is always the nagging question of the creditworthiness of the issuer.

Such difficult decisions are one reason that Eurobond investors are increasingly relying on the evaluations issued by the two major U.S. rating agencies, Moody's and Standard & Poor's. These ratings, by providing a more precise definition of quality, can help in the basic investing choice of maximizing yield at a given level of risk.

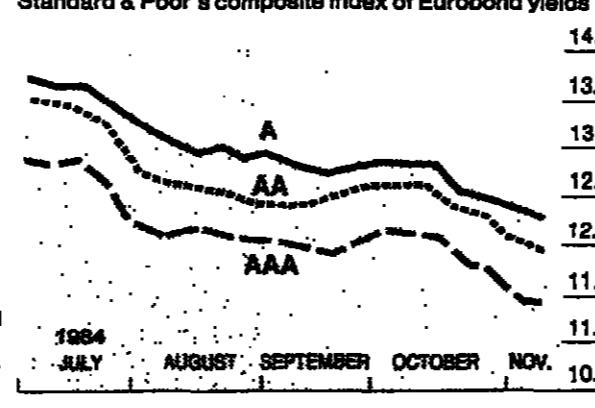
Both rating agencies have long been in the business of determining creditworthiness of issuers in the U.S. markets. Moody's started in 1909 and Standard & Poor's in 1923. They expanded their ratings to Eurobond issues in 1982 as U.S. corporations stepped up the already hectic pace of their international borrowings.

### The ABC's of Ratings

Symbol	Description
Moody's: Aaa, Aa, S&P: AAA, AA	These two ratings are reserved for bonds of the best quality. The borrowers' capacity to pay interest and repay principal is secure.
Moody's: A, Baa, S&P: A, BBB	Borrowers in these categories are financially sound but have been judged more vulnerable to changes in competitive or economic conditions.
Moody's: Ba, B, Caa, S&P: BB, B, CCC	These categories are for bonds that have varying degrees of speculative elements. The companies' ability to pay interest and repay principal is in question.

Adapted from Standard & Poor's International Creditweek and Moody's Bond Record

### How Yields Vary



ket. "If the investor is one of those rare breeds who is good at market timing, then he has a chance," he said. If not, results can be spotty at best.

Even some experienced traders are finding it increasingly difficult to make a profit on index options. Bache's Mr. Mangin said the high premiums on index options are driving him away from the market. "You need an enormous move in the market to make money," he complains. Mr. Mangin says he is going back to options on individual stocks.

Still, many professional advisers report that their clients do well. Richard Donsky, head of equity options for Shearson Lehman, says his customers have turned in good results. But he stresses that index options are "for the knowledgeable investor with ample resources who has a knack for trading."

The determined individual speculator must devote a great deal of time to his strategy. Ray Lyon, a California investor who employs a sophisticated strategy involving the sale of call contracts, estimates he spends as much as 10 hours a day on his investments and takes several advisory services. "It's somewhat stressful," he says. "You earn your rewards."

Though options specialists are skeptical about the average investor's ability to outguess the market, they say index options still

have an important role in investment strategies. Many managers of both individual and institutional portfolios use the full arsenal of option instruments in ways that often allow them to wring more return out of assets and keep a better grip on risks.

But, for the most part, the experts agree that the strategies used by big institutions and professional money managers are not suitable for the average investor.

## How 2 Pros Use Them

**W**ITH the boom in U.S. option markets came a new breed of money manager who uses these instruments to guide the funds of large individual portfolios. The services offered by two of these money managers, Bruce Lipnick of Wharton Asset Management and Gary Gastineau of Kidder Peabody, are good examples of how options are put to work by professional investors.

Though their approaches are different, both Mr. Lipnick and Mr. Gastineau have earned reputations for the successful application of options in managing the funds of a small group of well-heeled clients. A key element in both approaches is the use of options to tailor a portfolio to the client's tolerance for risk.

Mr. Lipnick, who guides about \$110 million, uses stock-index options both to reduce the risks of holding stocks and to react more quickly to opportunities in the stock market.

An example of risk reduction is to use put-index options to lock in portfolio profits after an advance in stock prices. If the stock prices then fall, gains on the value of the put options help offset losses on the portfolio. "We temper the downside in such cases," Mr. Lipnick. "It's the same principle as insurance."

If stock prices do not fall, the loss of the put premiums is looked upon as the cost of eliminating the risks of a sharp setback. Most clients are willing to take a little less yield on their portfolio in exchange for putting a floor under their losses, he says.

Index options can also be used to help the client play the market. Mr. Lipnick says he may put a client's assets into secure short-term money-market instruments and then use

the interest to buy stock indexes when the market looks right for move.

Mr. Gastineau, whose book, "The Stock Options Manual," is probably the most widely read text on the subject, employs a different approach based primarily on options on individual stocks. His strategy consists of constructing what he calls a "synthetic" portfolio of options on individual stocks and occasionally with an option on an index.

Because the values of the stock options rise or fall predictably in response to changes in the underlying stock, the "synthetic" portfolio is what Mr. Gastineau calls the "risk equivalent" of owning the underlying shares outright.

Such a portfolio has a tax advantage for the foreign investor, he notes. Foreign investors are subject to U.S. withholding taxes on dividends at rates ranging from about 10 percent to 30 percent, depending on a system of bilateral treaties. However, option profits incur no withholding tax.

Because the value of a stock option reflects the underlying share's dividend, the return on the "synthetic" portfolio will at least match the yield on the underlying stock. The result is that the foreign resident can, in effect, earn the equivalent of the dividends on the underlying stock free of withholding tax.

Both Mr. Lipnick and Mr. Gastineau say that an options-based investing approach is not for everyone. Indeed, only a few individuals would meet their minimum investment requirement. Mr. Lipnick will not handle portfolios of less than \$1 million, while Mr. Gastineau's Option Portfolio Service requires a minimum investment of \$100,000.

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Sterling Dep.	£ 1.006	11.00
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DM Deposit	DM 5.119	4.70
Yen Deposit	Yen 514.70	5.31
Sw.Fr. Dep.	Fr. 500	4.00
N. American	\$ 1.18	0.50
Japan	\$ 1.22	0.60
Pacific Basin	\$ 1.11	0.60
Int'l. Growth	\$ 1.00	0.60
British	\$ 1.20	2.00
Sterling Gilt	£ 1.06	10.20
Int'l. High Income	\$ 0.99	12.00
Yen Corp. Bond	Yen 261.00	3.20

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## New Eurobond Issues

Issuer	Amount (millions)	Mot. 2000	Coup. 1/16	Price 100	Yield 99.78	Price of offer week	Terms
<b>FLOATING RATE NOTES</b>							
Bankers Trust New York	\$300	2000	1/16	100	—	99.78	Over 3-month Libor. Callable at par on any interest payment date after 1986. Fees 0.32%. Denominations \$10,000.
Ferrovie dello Stato	\$460	1995	Libor	100	—	99.64	Interest at the higher of either 1-month Libor or 6-month Limon, set monthly. Callable at par on any interest payment date after 1986. Fees 0.40%. Denominations \$10,000.
PNC Financial	\$100	1997	1/16	100	—	99.50	Over 3-month Libor. Callable at par in 1989. Fees 0.60%.
<b>FIXED-COUPON</b>							
Bankers Trust New York	\$100	1990	11 1/4	99%	11.16	97.38	Noncallable.
Bergen Bank	\$75	1990	11 1/4	100%	11.43	96.88	Callable at par in 1988. Payable April 15.
Federal Business Development Bank	\$50	1989	10%	99%	10.41	97.13	Noncallable. Payable April 15.
Ford Motor Credit	\$100	1995	11%	99%	11.70	97.13	Callable at 100% in 1993.
Gould	\$75	1995	11 1/4	100	—	97.13	Callable at 101 in 1992.
John Deere Credit	\$150	1995	11%	99%	11.69	96.68	Noncallable. Payable March 19.
Kubota	\$150	1992	10%	100	10%	96.38	Noncallable.
Nippon Shimpaku	\$50	1992	11	100.60	98.87	—	Noncallable.
Nissin Steel	\$50	1992	10%	100	10%	96.25	Noncallable.
Orient Leasing	\$50	1992	11	100.60	10.87	—	Noncallable.
Rockwell Int'l	\$300	1992	10%	99%	10.93	97.13	Callable at 100% in 1989.
Royal Bank of Canada	\$100	1990	11 1/4	100	11%	97.25	Noncallable. Payable April 15.
Society for Savings	\$75	1990	11 1/4	100	11%	—	Noncallable. Backed 150% by cash and securities.
Toyo Trust Asia	\$100	1992	11 1/4	100	11%	98.50	Noncallable. Payable May 8.
EBI	DM 300	1993	7 1/2	100	7 1/2	98.50	Noncallable.
Quebec Province	DM 200	1995	7%	100%	7.59	98.50	Noncallable.
Chrysler Financial	ECU 60	1991	10	100	10	98.63	Noncallable. Payable March 26.
Bank of Tokyo	Aus \$50	1992	12%	101%	12.29	—	Noncallable. Denominations Aus \$10,000.
Bank Mees & Hope	DF 150	1992	7 1/2	99	7.72	—	Noncallable. Starting fund to start operating in 1989 to produce a 5.5-yr average return.
New Zealand Breweries	NZS 25	1991	15%	99%	15.82	98.50	Redeemable or par in 1989.
New Zealand Breweries	NZS 25	1992	15%	99%	15.84	98	Redeemable or par in 1990.
<b>EQUITY-LINKED</b>							
Kumogai Gumi	\$80	2000	3 1/2	100	3 1/2	—	Callable at 104 in 1988. Convertible at 600 yen a share and of 260.75 yen per dollar.
Moruzen	\$20	1990	open	100	—	99.50	Coupon indicated at 88%. Noncallable. Each \$5,000 note with 1 warrant exercisable into shares at an expected 29% premium. Terms to be set Feb. 15.
Mitsui Petrochemical Industries	\$25	1990	8 1/2	100	8 1/2	101	Noncallable. Each \$5,000 note with 1 warrant exercisable into shares at 280 yen a share and of 261.85 yen per dollar.
Optec Dai-Ichi Denko	\$30	1990	open	100	—	—	Coupon indicated at 88%. Noncallable. Each \$5,000 note with 1 warrant exercisable into shares at an expected 29% premium. Terms to be set Feb. 15.
Shin-Etsu Chemical	\$30	2000	open	100	—	98.25	Semiannual coupon indicated at 3%. Callable at 104 in 1988. Convertible at an expected 5% premium. Terms to be set Feb. 12.
Taiyo Yuden	\$50	2000	open	100	—	97.25	Semiannual coupon indicated at 3%. Callable at 104 in 1988. Convertible at an expected 5% premium. Terms to be set Feb. 14.
Yamato Transport	\$40	2000	3	100	3	98.50	Callable at 103 in 1990. Convertible at 1,238 yen a share and of 261.15 yen per dollar.

This announcement appears as a matter of record only.  
The Notes were offered and sold outside of the United States of America.



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Banque Nationale de Paris

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Dresdner Bank Aktiengesellschaft

Samuel Montagu &amp; Co. Limited

Morgan Stanley International

Swiss Bank Corporation International Limited

Banca del Gottardo

Bank Gutzwiller, Kurz, Bungener (Overseas) Limited

Darier &amp; Cie.

Hentsch &amp; Cie

Pictet International Ltd.

Swiss Volksbank

## Bankers, Regulators Wary of Loan Underwriting U.S. to Permit Kuwait to Have Leases

By Carl Gewirtz

International Herald Tribune

PARIS — While regulators have not yet formally taken steps to curb the growing tendency of commercial banks to increase income by underwriting loan commitments not taken on their books, the Bank of England and the Federal Reserve have warned banks last week to be cautious.

At the annual banquet of the Overseas Bankers Club, Robin Leigh-Pemberton, governor of the Bank of England, said, "Bankers would be well advised to examine closely the extent of these risks and to consider carefully the appropriateness of price to charge."

And in a speech in Frankfurt, Henry C. Wallich, a governor of the Federal Reserve, said, "A bank is not strengthened . . . if it raises its capital ratio by placing some of its assets 'below the line' . . . or substitutes contingent for ordinary liabilities."

Despite repeated indications of official concern, bankers privately lament that this will continue to grow until formal guidelines emerge. The Bank of England and the Fed have indicated that such guidelines are under study.

What worries bankers, as well as the regulators, is that the note placement facilities that banks are underwriting for relatively slim fees (which are taken directly into profits without any increase in the balance sheet as long as the notes are sold) can turn into low-margin bank loans if the note market suddenly turns sour.

The underlying concern is that if a financial crisis slams the market, the banks would be obliged to substantially increase their assets (loans) as a result of these underwritings. This would have the effect of making the banks' capital ratios

deteriorate at the very moment when public confidence in the banks was likely to be weakest.

While the flow of new transactions shows no sign of voluntarily ebbing, bankers report that the recent upward drift in short-term interest rates has made it more difficult to sell short-term notes.

"We've seen some defensive bidding," said one banker. But, he added, "it's not a brick wall." Paper continues to be placed, he explained, but at terms that are more expensive for issuers.

Britoil was able to place \$25 million of six-month notes last week at a cost of 15 basis points (hundreds of a percentage point) below London interbank offered rates — less expensive than its previous sales, which were at 10 and 9 basis points below Libor.

The latest entry to the note market is Portugal. It is seeking \$500 million for eight years — half as a classic syndicated bank credit and half as a note placement facility.

Portugal can ask banks to propose terms for short-term advances (which are direct bank loans) or for Euronotes. Underwriters will be paid an annual 4 1/2-percent facility fee and they guarantee to take the notes at 3 1/2 point over the London interbank offered rate. If the tender panel bids less than 3 1/2 point over Libor, Portugal can pocket the saving. But it is assured that it can draw the entire amount from the banks at a maximum cost of 3 1/2 point over Libor (the annual facility 4 1/2-point fee plus the 3 1/2-point utilization charge).

This is the identical margin it will pay on its straightforward syndicated credit. Front-end fees on the package total 1 1/2 percent.

Managers say the loan is structured to appeal to banks looking to take assets off their books. The note

facility will enable Portugal to test that market and possibly save on borrowing costs if the market proves receptive. As it is, the terms are a marked improvement over the split 3 1/2-point margin Portugal paid last year to tap the syndicated loan market.

Transco Energy Co. of the United States is tapping the market for \$150 million for five years. It will sell one-to-six-month notes at a maximum yield of 15 basis points over Libor.

East Germany is coming to the syndicated loan market for \$150 million, which many bankers say will be increased to at least \$220 million. Given the demand for scarce high-paying credits and the resulting decline in margins, there was some surprise that the East Germans had not secured more than an 8-point decline from the margin on their previous loan.

The new loan is likely to be dominated by U.S. banks, thanks to the provision that lenders can opt to price it at 1 1/2 point over the prime rate of Citibank or 2 1/2 point over the 90-day rate for certificates of deposit or 3 1/2 point over Libor.

U.S. banks have been largely absent from lending to Eastern Europe, but these terms will be seen as very attractive. Even Mexico, which is hardly in a position to choose how it gets its money, has refused to pay interest based on the U.S. prime rate.

The East Germans will pay front-end fees of 1/2 percent as well as a 1/2-percent commitment fee on any withdrawn portion.

In sharp contrast, Vneshtorg, the Soviet Union's foreign trade bank, is seeking a seven-year loan of 50 million European currency units. It is to pay 1/4 point over the interbank rate for the first three years, then 3/4 point. This is a very big drop in costs, as it last paid 1/2 point over

Labor for five-year money. Fees on the new loan total 25 basis points.

Avasa, a Spanish highway agency, has consolidated five older and more expensive credits into a new 300-million-Deutsche-mark loan running for seven years. Interest on the new loan is set at 1/2 point over the interbank rate for the first two years and 3/4 point thereafter, down sharply from the more than 1 percent paid on the existing loans. In addition, it is renegotiating terms on five dollar loans, totaling \$125 million, on which it is paying 1 1/2 points over Libor, and on another DM loan.

The operation has created some friction, as Merrill Lynch — which did not participate in any of the old loans and is not putting any of its money into any of the new operations — is coordinating the refinancing. Commercial banks do not take kindly to what they consider trespassing by investment banks.

Merrill says that it is acting as an adviser to the borrower and that criticism from the commercial banks has not impeded the syndication of the new loan.

Reuters reported from London that Thailand and some of its agencies were expected to tap the Euro market for a total of \$400 million in 20-year floating rate notes. The agency quoted banking sources as reporting that Thailand itself would issue \$60 million of notes, the Petroleum Authority of Thailand \$





## NASDAQ National Market

	Sales in 100s						Sales in 100s						Sales in 100s						Sales in 100s						Sales in 100s					
	High	Low	Close	Net	Chg	High	Low	Close	Net	Chg	High	Low	Close	Net	Chg	High	Low	Close	Net	Chg	High	Low	Close	Net	Chg	High	Low	Close	Net	Chg
AAPL	125	124	125	125	+1	125	124	125	125	+1	125	124	125	125	+1	125	124	125	125	+1	125	124	125	125	+1	125	124	125	125	+1
ABE	122	121	122	122	+1	122	121	122	122	+1	122	121	122	122	+1	122	121	122	122	+1	122	121	122	122	+1	122	121	122	122	+1
ABE	121	120	121	121	+1	121	120	121	121	+1	121	120	121	121	+1	121	120	121	121	+1	121	120	121	121	+1	121	120	121	121	+1
ABE	120	119	120	120	+1	120	119	120	120	+1	120	119	120	120	+1	120	119	120	120	+1	120	119	120	120	+1	120	119	120	120	+1
ABE	119	118	119	119	+1	119	118	119	119	+1	119	118	119	119	+1	119	118	119	119	+1	119	118	119	119	+1	119	118	119	119	+1
ABE	118	117	118	118	+1	118	117	118	118	+1	118	117	118	118	+1	118	117	118	118	+1	118	117	118	118	+1	118	117	118	118	+1
ABE	117	116	117	117	+1	117	116	117	117	+1	117	116	117	117	+1	117	116	117	117	+1	117	116	117	117	+1	117	116	117	117	+1
ABE	116	115	116	116	+1	116	115	116	116	+1	116	115	116	116	+1	116	115	116	116	+1	116	115	116	116	+1	116	115	116	116	+1
ABE	115	114	115	115	+1	115	114	115	115	+1	115	114	115	115	+1	115	114	115	115	+1	115	114	115	115	+1	115	114	115	115	+1
ABE	114	113	114	114	+1	114	113	114	114	+1	114	113	114	114	+1	114	113	114	114	+1	114	113	114	114	+1	114	113	114	114	+1
ABE	113	112	113	113	+1	113	112	113	113	+1	113	112	113	113	+1	113	112	113	113	+1	113	112	113	113	+1	113	112	113	113	+1
ABE	112	111	112	112	+1	112	111	112	112	+1	112	111	112	112	+1	112	111	112	112	+1	112	111	112	112	+1	112	111	112	112	+1
ABE	111	110	111	111	+1	111	110	111	111	+1	111	110	111	111	+1	111	110	111	111	+1	111	110	111	111	+1	111	110	111	111	+1
ABE	110	109	110	110	+1	110	109	110	110	+1	110	109	110	110	+1	110	109	110	110	+1	110	109	110	110	+1	110	109	110	110	+1
ABE	109	108	109	109	+1	109	108	109	109	+1	109	108	109	109	+1	109	108	109	109	+1	109	108	109	109	+1	109	108	109	109	+1
ABE	108	107	108	108	+1	108	107	108	108	+1	108	107	108	108	+1	108	107	108	108	+1	108	107	108	108	+1	108	107	108	108	+1
ABE	107	106	107	107	+1	107	106	107	107	+1	107	106	107	107	+1	107	106	107	107	+1	107	106	107	107	+1	107	106	107	107	+1
ABE	106	105	106	106	+1	106	105	106	106	+1	106	105	106	106	+1	106	105	106	106	+1	106	105	106	106	+1	106	105	106	106	+1
ABE	105	104	105	105	+1	105	104	105	105	+1	105	104	105	105	+1	105	104	105	105	+1	105	104	105	105	+1	105	104	105	105	+1
ABE	104	103	104	104	+1	104	103	104	104	+1	104	103	104	104	+1	104	103	104	104	+1	104	103	104	104	+1	104	103	104	104	+1
ABE	103	102	103	103	+1	103	102	103	103	+1	103	102	103	103	+1	103	102	103	103	+1	103	102	103	103	+1	103	102	103	103	+1
ABE	102	101	102	102	+1	102	101	102	102	+1	102	101	102	102	+1	102	101	102	102	+1	102	101	102	102	+1	102	101	102	102	+1
ABE	101	100	101	101	+1	101	100	101	101	+1	101	100	101	101	+1	101	100	101	101	+1	101	100	101	101	+1	101	100	101	101	+1
ABE	100	99	100	100	+1	100	99	100	100	+1	100	99	100	100	+1	100	99	100	100	+1	100	99	100	100	+1	100	99	100	100	+1
ABE	99	98	99	99	+1	99	98	99	99	+1	99	98	99	99	+1	99	98	99	99	+1	99	98	99	99	+1	99	98	99	99	+1
ABE	98	97	98	98	+1	98	97	98	98	+1	98	97	98	98	+1	98	97	98	98	+1	98	97	98	98	+1	98	97	98	98	+1
ABE	97	96	97	97	+1	97	96	97	97	+1	97	96	97	97	+1	97	96	97	97	+1	97	96	97	97	+1	97	96	97	97	+1
ABE	96	95	96	96	+1	96	95	96	96	+1	96	95	96	96	+1	96	95	96	96	+1	96	95	96	96	+1	96	95	96	96	+1
ABE	95	94	95	95	+1	95	94	95	95																					

## GM-Toyota Venture to Limit Distribution of Nova

By James Risen  
Los Angeles Times Service

CHICAGO — The Chevrolet Nova, the first car to be produced by the GM-Toyota joint venture in Fremont, California, will initially be sold only in the central United States and will not reach dealers on the East or West coasts until at least early 1986, according to Chevrolet officials.

Robert D. Burger, Chevrolet's general manager, said Friday at the Chicago Auto Show that Nova production was starting so slowly that Chevrolet would not have enough of the subcompacts to supply all its dealers in time for the Nova's introduction June 13.

The joint venture, which began production in December, will build

only about 41,000 cars in 1985. Mr. Burger said the joint venture expects to produce 250,000 cars a year when it reaches full production. But Mr. Burger said Toyota, which is managing the Fremont plant, traditionally is slow to increase output when it opens a new factory.

In the central United States, the region to which Chevrolet will limit initial sales of the front-wheel-drive Nova, the company does not sell most of its Japanese imports, the Chevrolet Spectrum and Sprint models. The Spectrum, imported from Isuzu Motors Co., is sold only on the East Coast, while the smaller Sprint, built by Suzuki Motor Co., is sold on the West Coast.

GM has had to limit its distribution

of the Sprint and Spectrum, introduced last year, to the coasts because of quotas on Japanese auto imports, under which Chevrolet can import 17,000 Sprints and 27,500 Spectrums a year.

■ Price Higher Than Sprint's

John Huluka of The New York Times also reported from Chicago:

The Nova will be priced considerably higher than the Sprint, which is Chevrolet's cheapest model, GM officials said Friday.

At about \$6,400 to \$7,000, the Nova will cost at least \$1,000 more than the Sprint, reflecting Chevrolet's intention to have the Nova compete directly with more expensive, more lavishly equipped cars imported from Japan.

"This is not an entry-level car."

said Mr. Burger. He said no final decision had been made on the price, and that the key judgment was whether to position the Nova above or below the domestically produced Cavalier, which has a base sticker of \$6,600.

Chevrolet officials said they were prepared to import 100,000 cars a year each from Suzuki and Isuzu if the U.S.-Japanese quota agreement were lifted. But they said its complete removal was unlikely.

Separately, J. Michael Losh, general manager of Pontiac, said GM was working on an agreement with the South Korean company Daewoo to import about 80,000 cars a year, to be sold as Pontiacs in the 1987 or 1988 model year. He said the cars were intended to be imported at less than \$7,000.

## Court Backs Bid for U.S. Railroad

New York Times Service

CHICAGO — A U.S. judge has ruled in favor of a \$371-million bid by the Minneapolis-based Soo Line Railroad Co.

for the bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad Co., known as the Milwaukee Road.

U.S. District Judge Thomas R. McMillen ruled Friday against a \$786-million bid by the Chicago & North Western Transportation Co., saying a takeover by the latter would have hampered competition and led to abandonment of too much track because the railroad shares many markets with the Milwaukee Road.

He said the difference between the two offers represented a "premium" for stockholders of the Chicago Milwaukee Corp., the Milwaukee Road's holding company.

A spokesman said Chicago & North Western would not appeal. But Daniel R. Murray, a lawyer representing the Milwaukee Road's holding company, said he would file an appeal on behalf of the company and its stockholders.

## THE EUROPEAN COMMUNITY

### U.S. Seeks Talks With EC on Steel

By Steven J. Dryden  
International Herald Tribune

BRUSSELS — The United States has asked the European Community for consultations on exports of semifinished steel products to the United States.

Community officials said they were surprised and concerned by the U.S. request Friday, which came a month after the two sides settled their dispute over the level of EC steel pipe and tube exports to the United States.

Exports of semifinished steel products are not limited by U.S.-EC agreements. The 1982 steel agreement, however, gives the United States the right to ask for consultations if it believes increased exports of unregulated steel products are being used to get around the accord's limits on finished steel goods.

EC exports of semifinished steel products to the United States have increased in the past several years, community officials said. The latest figures available show that about 500,000 tons were exported to the United States during the first 10 months of 1984.

An EC source attributed much of the export increase to the growing value of the dollar. "We're a bit astonished" by the U.S. request for consultations, the source said, especially since President Ronald Reagan issued a call for expanded world trade in his State of the Union address last week.

Under the 1982 agreement, the United States can take unilateral action to limit imports if the dispute is not resolved by consultations. The United States asked that the consultations begin Feb. 25.

Ministers Look at Plan On Technical Standards

On Monday, EC ministers were to examine the new European Commission proposal to ease the

approval of common technical standards for community products. The proposal is seen as a key step toward creating a true common market that would strengthen the EC economy.

The 10 member nations now are to negotiate standards for each individual product, a lengthy process that in the past sometimes has not been completed until after the product has become outdated.

The new commission proposal suggests that the community adopt basic requirements on safety, health and environmental standards. Further technical standards would be worked out by national authorities.

Products meeting the community standards would be allowed to circulate freely among the member states.

Lord Cockfield, commissioner for the internal market, wants the ministers to approve the approach of the proposal Monday, then give final approval at their next meeting in May. The proposal is expected to provoke objections from member states seeking to protect national industries.

Business-Labor Meeting Called Useful Forum

The Jan. 31 meeting between the European Commission's president, Jacques Delors, and representatives of business and labor groups may produce further discussions on ways to combat Europe's economic problems.

Participants said the meeting produced a "positive" atmosphere, even though there was no overall agreement between the business and labor representatives on means of creating more jobs and encouraging business growth.

Union officials said that they were encouraged by the open nature of the discussions, and that there was agreement that further talks should be held.

The union and business groups are in agreement on such broad goals as breaking down barriers to trade within the community, but disagree on such issues as reduced working time, the extent of public investment to combat unemployment, and government regulation of business.

The daylong meeting was called by Mr. Delors as a way of demonstrating the community's desire to work with the two groups, both of which have been critical of the commission's economic policies.

Business groups were represented by the Industrial Association of the European Community. Labor groups were represented by the European Trade Union Confederation.

Continued Growth Seen In Industrial Investment

Community officials are encouraged by the results of a survey carried out late last year showing that industrial investment in member countries, which began a recovery in 1984, will continue to grow this year.

Luxembourg to Launch A 16-Channel Satellite

REUTERS

LUXEMBOURG — Luxembourg will create a new multinational company next month to launch a European communications satellite in mid-1986, a government spokesman said Sunday.

A number of companies have agreed to take part in the project, which will beam as many as 16 channels over most of Europe.

## Boesky Has Stake In Holiday Inns

New York Times Service

NEW YORK — Ivan F. Boesky, the New York investor, and a group of companies he controls disclosed Friday that they had acquired an 8.6-percent stake, or 2,980,200 common shares, in Holiday Inns Inc., which they bought from Jan. 8 through Jan. 31.

Holiday Inns, however, said that it had tendered from Mr. Boesky 2.25 million of those shares as part of a previously announced plan to repurchase 6.3 million of its common shares at \$49 a share. Mr. Boesky, who bought his stock for an average of \$47.30 a share, would have earned about \$3.8 million from the transaction.

Separately, Holiday Inns reported a 33.1-percent increase in net income in the fourth quarter, to \$20.5 million, or 59 cents a share, from \$15.4 million, or 42 cents a share, a year earlier. Revenues rose 9.3 percent, to \$429.5 million.

## Decline in Prices Is Partly Reversed

By Michael Quint  
New York Times Service

NEW YORK — Treasury note and bond prices rose slightly Friday, reversing some of the decline that accompanied the Treasury's auctions — which totaled \$19 billion — during the past week.

Although prices rose enough so

percent was a sign that the central bank was not trying to encourage significantly higher short-term interest rates.

Fear of a tighter Fed policy may also be dispelled, traders said, when the Fed announces benchmark revisions to money supply data and new seasonal adjustments for 1985. The net effect of the new data, which a Fed spokesman said were scheduled for release Thursday, might be a higher money supply during the 1984 fourth quarter, thereby bringing the current level close to the Fed's tentative 1985 growth target of 4 percent to 7 percent.

The basic money supply level is about \$2.5 billion above target. New seasonal adjustments could reduce the size of the increase expected to be announced Thursday.

Traders were also encouraged by

comments by Preston Martin, vice chairman of the Federal Reserve, that inflation was likely to remain low even as the economy continued to expand.

Thousands of local residents

campaigned against the company's

application to build a plant to mix toxic gases just outside Edinburgh in Livingston New Town.

Grützner: Stadt. Galerie im Lenbachhaus, Munich

## Bonn Struggles With Jobless Rate

(Continued from Page 7)

Bangemann, as well as various economists think there is a need to make West Germany's wage structure more flexible. In 1983, West Germany's wage costs including so-called social costs were the highest in the European Community at 27.42 DM per hour.

Mr. Gattenger, the economist, said the Social Democrats' proposal to provide tax relief to companies taking on new workers may help only in the short run. He warned that the tax relief could be seen as subsidization, which would eventually put a brake on the economic recovery by making companies less able to compete on their own. And he said that such a program would hurt the long-term economy by eventually requiring higher taxes.

Economists suggest that West

sharing in the export boom, the economists say.

Recent steps by the Labor Ministry allowing for the flexible employment of workers for up to one year with the option to fire may make employers more willing to take on new workers, Mr. Gattenger said. The substantial costs — and the legal complications — involved in firing workers in West Germany, as well as in other European Community countries, have encouraged employers to resort to overtime for the currently employed rather than hiring new workers.

However, economists say it is troubling that many of these exporters are having windfall profits but delaying major decisions on investment and hiring because of uncertainty over the future trend of the dollar against the Deutsche mark. Another wage conflict could arise should West Germany's unions assert that they were not

## French-Run Hypermarket a Hit in U.S.

(Continued from Page 7)

market. Its annual revenues are expected to exceed \$100 million. Indeed, Mr. LeFoll said Bigg's had done so well that Hyper Shoppes has decided to open three or four new Bigg's next year "in the South and in the West."

On Saturday mornings, when the store is busiest, checkout lines can be an hour long — despite the large number of checkout lanes.

"When I was here two weeks ago, the lines were so long I was a little irritated," said Margaret Stamper, who drove 16 miles (25.7 kilometers) to Bigg's from her home in Highland Heights, Kentucky.

"But you can see why I come; it's a lot cheaper," she continued, while standing in front of two shopping carts overflowing with \$91 worth of groceries. "I paid 89 cents for a box of Kellogg's Corn Flakes. It would be 75 cents more somewhere else."

"It's a real advantage shopping here," said Jill Ackley as she shopped for a three-pronged electrical wall adapter in Bigg's hardware department. "Here I can buy bread, luncheon meat and electrical equipment all at the same place."

By seeking to keep overhead down and volume high, Bigg's aims to be the lowest-price grocery merchandiser in the area. In a recent week iceberg lettuce was selling for 47 cents a head, a gallon (3.79 liters) of milk for \$1.49, and five freshly baked one-pound (453.6-gram) loaves of bread for a total of 99 cents. It was also selling RCA 19-inch color televisions for \$245.

The dent Bigg's has made on prompting competitors, such as the Cincinnati-based Kroger Co., to price more aggressively.

Paul Bernick, a spokesman for Kroger, the second-largest U.S. food retailer, after Safeway, would not comment on Bigg's directly, but said, "We are and will be competitive with anyone in our market." Kroger accounts for half its hometown's grocery sales.

One thing helping keep Bigg's prices low is its principal supplier, Super Valu Stores Inc., the largest U.S. grocery wholesaler. Super Valu owns 10 percent of Hyper Shoppes and was instrumental in designing the store and selecting a site.

While most modern supermarkets run from 30,000 to 50,000

square feet (2,787 to 4,645 square meters), 65,000 of Bigg's 200,000 square feet is devoted to groceries. Its general merchandise area takes up the other 135,000 square feet.

Retail analysts projected that the grocery part of Bigg's would have sales of about \$14 a square foot a week, compared with \$6.90 at the average supermarket across the United States. But analysts said the general merchandise part is expected to have sales of only \$7 a square foot a week. That, analysts suggest, might prove a major obstacle to Bigg's expansion.

They're so big that there is a limited number of markets that can absorb a store like them," said Michael W. Wright, chairman of Super Valu.

Mr. LeFoll said he "would be disappointed" if his store's earnings do not exceed the 1 percent of gross that is the yardstick for super markets. He attributes the high volume to high volume and a low, fixed overhead.

For instance, the brightly lit store is hardly decorated, except for a few murals in back that seek to prevent it from looking like a warehouse.

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## The Global Newspaper.





## SPORTS

# France 1-2 in Women's Slalom; Nilsson Surprise Victor in Finale

Compiled by Our Staff From Dispatches



Perrine Pelen: 'I was only missing the gold.'



Jonas Nilsson: 'Never again fourth.'

**BORMIO, Italy**—Perrine Pelen benefited from Erika Hess's fall to win the women's slalom at the world Alpine ski championships here Saturday and claim a long career with her first-ever gold medal.

On Sunday, Jonas Nilsson's dazzling second run upset favored Marc Girardelli of Luxembourg in the men's slalom, the final event of the competition.

Pelen lay third after a first-leg time of 49.67 seconds, well behind leader Girardelli. But the Swede powered through the 66 gates of the second run in 49.49 for an aggregate 1:38.82—beating Girardelli by six one-hundredths of a second.

Girardelli had a relatively poor second run and finished with a 1:38.88 total for the silver medal. Austrian Robert Zoller won the bronze in 1:39.35, with defending champion Ingemar Stenmark of Sweden fourth in 1:39.74.

Christelle Guignard, Pelen's teammate, took the women's silver medal, giving France its best-ever world championship result, while Paola Magoni won host nation Italy's first medal in these championships, the bronze.

"I was only missing the gold—I had silver and bronze already," said Pelen, runner-up or third four times at previous world championships or Olympic Games. "But I had never given up hope of winning a title," said the 24-year-old, who is in her ninth season on the World Cup circuit.

"It's great not to hear those Swiss cowbells clanging again," she said at the finish line.

Pelen lay second behind defending champion Hess after Saturday's first run. But the Swiss favorite fell eight seconds into the second leg when she failed to make a turn. Disconsolate, Hess hunched down on her skis and cried, her chance gone of adding the slalom title to the combined-event gold she had won five days before.

Pelen had runs of 45.48 and 44.10 for an aggregate of 1:29.58. Guignard, ninth after the morning run, was fastest in the afternoon to clock 1:29.93, while Magoni finished five-hundredths of a second slower.

Only 29 of the 56 starters completed both runs on a soft course made still mushier by light rain (American Tamara McKinney and Italy's Maria Rosa Quarto were

among those to fall). Fourth place went to Austrian Anni Kronbichler, with Brigitte Oerli of Switzerland fifth and Polish twins Dorota and Małgorzata Tlakla sixth and seventh.

Pelen said her victory, the first by a Frenchwoman since Fabienne Serrat won the giant slalom at the 1974 world championships, was not necessarily the cue for her to retire.

"I've got lots of time to think about that. I can decide at the end of the season," she said. "For now, I'm just happy to get the gold."

Guignard first burst into the limelight at the 1984 Olympics, when she led the slalom after the first leg only to fail to finish the second. Magoni, equally unknown then, came on to take the gold.

Guignard had won two World Cup slaloms this winter and is tied for second with Pelen, behind Hess, in the cup slalom standings. But she was first to go in Saturday's morning run, and had to cut a track on a course lightly covered by fresh snow overnight.

"I had to really attack in the second leg," she said. "I'm happy because it's the result that counts, and I didn't have the luck at Sarajevo."

Magoni, under pressure from Italian fans and journalists to do well, had to go all-out in the second run after placing eighth in the first. "I couldn't believe it when I saw Quario and Hess fall," she said. "I knew that would give me a chance for a medal, so I went all out. I couldn't have gone better in the second leg, but I think I lost the silver when my goggles came down over my face and I lost time ripping them off."

Sunday's men's slalom was held on an icy course, which caused the downfall of many of the top-ranked skiers—including Pirmen Zurbriggen of Switzerland.

Zurbriggen, seeking his fourth medal at the championships, straddled a gate in the first run and was disqualified.

Only 38 of the 89 starters completed the first run, and despite slightly higher temperatures for the afternoon beat the series of falls and missed gates continued.

Nilsson said his fourth-place finish in the 1984 Olympic slalom spurred him on. "I said to myself, 'Never again fourth.' I thought it was better to go out than finish

fourth again," said the tall, solidly built Swede. "I knew I had a chance for a medal if I had a good day—but I never thought it would be gold."

Nilsson, 21, missed a bronze in the Olympic slalom at Sarajevo by five-hundredths of a second. A slalom specialist, he joined the World Cup's first-group elite this season, in his third year on the circuit. He has placed second twice in 1984-85 cup slaloms this season—once behind Girardelli and once behind Andreas Wenzel.

Stenmark, who has won four world championships, said he was not surprised to see Nilsson in the top three, but added, "I really didn't think he would get a gold."

Nilsson won the slalom gold in the 1982 world championships in Schladming, Austria, the last time the event was held.

Girardelli, billed as almost a sure winner, accepted his second place uncomplainingly. "Of course I'm disappointed, but it's impossible to win all the time," said the World Cup points leader. "It was good competition and I'm happy with second."

For Zoller, the third-place bronze was an all-or-nothing affair.

"I wasn't nervous at all," said the 190-pound (86-kilogram) Austrian, who is among the biggest men in ski racing.

"No one can say I was too fat to do well."

(UPI, AP)

"I was only missing the gold—I had silver and bronze already," said Pelen, runner-up or third four times at previous world championships or Olympic Games. "But I had never given up hope of winning a title," said the 24-year-old, who is in her ninth season on the World Cup circuit.

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## All-Star Watch: Some NBA Criteria

By Anthony Corcoran  
Washington Post Service

INDIANAPOLIS—What does it take to be an NBA all-star?

Doubtless it involves something a bit more complex than the method used by Bill Laimbeer. For the past two seasons, the Detroit Pistons center has been a last-minute addition to the National Basketball Association game, substituting for a year ago for an injured Moses Malone

of such players as Norm Nixon

or Adrian Dantley or Utah.

Or of King for that matter.

Averaging 30.9 points a game,

the forward's individual brilliance has shown through the muck that has characterized the 18-33 Knicks. That King is on the rise despite his team's

losses strikes closer to the true

makeup of an all-star.

As Dallas guard Rolando

Blackman, making his first ap-

pearance in the game, put it,

"Reggie Jackson talked about

being the star that stirred the

drink. All these guys are the mix

masters."

It's really not that different

from the dynamics that go on

among the individual team,"

King said. "Why is one guy start-

ing and another the 12th man?

He's generally more talented,

more versatile and has more spe-

cialty skills than the others on the

team."

According to Laimbeer, the

main attribute of an all-star is

consistency. "There are guys

who will score 30 points one

night and two in the game after

that; they're all-pros and then

nonesistent. The guys here do it

every night, night in and night

out, and when they're expected to."

When that happens, your

## LANGUAGE

### Ruling on Vigilante-ism

By William Safire  
WASHINGTON — Is calling someone a *vigilante* an insult or a compliment? Is the philosophy of the vigilante called *vigilantism* or *vigilante-ism*?

These questions are posed by the issue raised in the New York sub-way shooting of four teen-agers by Bernhard H. Goetz, who felt menaced when accosted by them. His act was hailed by many people who feel threatened by hoodlums and was denounced by many who adhere to the rule of law even when it falls short. Goetz was indicted by a grand jury for criminal possession of a gun; only the linguistic case will be considered in this space.

*Vigilante* is a noun in English that comes from the Spanish noun for *watchman*; the Spanish adjective *vigilante* means "watchful, wide-awake," same as the English adjective *vigilant*. The origin of the English noun is in the Vigilance Committee, organized in the South in the 1830s and 30s to intimidate blacks and abolitionists. "The slave States," said the abolition leader William Lloyd Garrison in 1835, "have organized Vigilance Committees and Lynch Clubs." The assumption of control of law by citizens not empowered by law was applied more generally as well: "The prevalence of crime in San Francisco," wrote The Whig Almanac in 1851, "led to the formation of a voluntary association ... called the Vigilance Committee."

At first, these committees — their members were called *vigilantes* — were considered praiseworthy. Abolitionists called some of their own Underground Railroad organizations by that name, refusing to concede the word to their opponents; the Republican clubs formed to support Lincoln were called "Wide-Awakes." After the war, as the nation expanded westward, "vigilance committee" was the name given to the citizenry that combined to combat lawlessness before the law arrived, or that took charge when the lawmen failed.

But from the start, another meaning grew. "We hate what are called *vigilant men*; they are a set of suspicious, mean spirited mortals, that dislike fun," wrote The Missouri Intelligencer in 1821. Abolitionists equated vigilance with lynching: "As gross a violation of

justice," wrote Horace Greeley's New York Tribune in 1858, "as vigilance committee or lynching mob was ever guilty of."

Thus, the word comes into modern times with competing senses: good (providing law where there is none) and bad (taking the law into your own hands). When used today in a historical sense, the word looks back at the frontier's rough justice, rather than at the South's repression of blacks, and is usually a compliment. But when applied to modern-day activities, the word *vigilante* — and especially the -ism that grows out of it — is usually used to suggest that outdated and unnecessary methods are being employed.

On National Public Radio, most newscasters say *vigilantism*, though I've heard several say *vigilante-ism*; NBC and CBS agree on *vigilantism*. Which is correct?

I prefer *vigilante-ism*, pronouncing the final -e in *vigilante*. This -ism does not refer merely to "being vigilant"; it has to do with "being a vigilante." Because the -ism flows from the noun *vigilante* rather than the adjective *vigilant*, we should logically say *vigilante-ism*.

You think it looks awkward with the hyphen and is hard to say? If you prefer *vigilantism*, then maybe you would like *McCarthyism*. Of course not; it's *McCarthyism* and *vigilante-ism*.

Those who search for literary allusions in presidential speeches may put dirt in his second inaugural address: "My friends, we live in a world that's lit by lightning."

Henry Hanson of Chicago magazine promptly turned to his copy of Tennessee Williams' 1944 play "The Glass Menagerie" and the memorable "I didn't go to the moon" curtain speech, in which Tom tells his crippled sister, Laura, who believes in the magic of candlelight on little glass animals, that he has been searching for "anything that can blow your candles out ... for nowadays the world is lit by lightning."

Did the president, or any of his writers, know of this allusion? Did he mean, as Williams's character did, to contrast gentle candlelight with fierce lightning? That is for the orator to know and for us to guess.

William Safire  
New York Times Service

## Derek Jacobi on Acting: 'Extraordinary Things Happen'

By Michiko Kakutani  
New York Times Service

**S**ELF-EFFACING to the point of disappearance, Derek Jacobi likes to minimize the difficulty of performing two plays, two utterly contrary roles, in the space of a single day. "It's a knack you acquire, doing repertory theater," he says simply.

Having recently completed a dazzling three-and-a-half-month run on Broadway, Jacobi and the Royal Shakespeare Company are now in the midst of a month-long engagement at the Kennedy Center in Washington.

As in New York, matinee days can be pretty daunting: at 5:30 in the afternoon, Jacobi walks off the stage as Cyrano de Bergerac, Edmond Rostand's swaggering, swashbuckling hero. Two hours later, showered and resuscitated — Cyrano's huge, latex nose discreetly removed — he returns to the stage, reincarnated as Benedick, Shakespeare's reluctant lover in "Much Ado About Nothing."

Certainly the two productions could not offer a starker contrast: Shakespeare's sparkly, screwball comedy treats wit and wordplay as defensive weapons, obstacles to heartfelt passion; while Rostand's tragedy equates love with style, with the eloquent manipulation of words. The heroes of the two plays, too, are consummate alter-egos: Benedick, the tart-tongued skeptic who proclaims himself a bachelor for life; and Cyrano, the purple-tongued romantic, who will risk his life for his sweetheart or a cause.

For Jacobi, these roles demand two very different techniques: the emotionally-reticent Benedick calls for a "personal performance, where I'm working off my own center"; Cyrano, a "character performance, where I have to find areas of rage, anger and a fierceness that is not part of my surface personality." With Benedick, Jacobi says, he is playing a version of himself; with Cyrano, someone he admires and would, ideally, be.

Poet, philosopher, duelist and soldier, Cyrano is the sort of hero who can rattle off heroic couplets while single-handedly dispatching an entire band of villains with his sword. If he is too ugly to win the hand of the lovely Roxanne, then he will use his eloquence to woo her for a rival, letting his own feelings pour out in ringing streams of verse.

In playing Cyrano, says Jacobi, "you have to have a bombastic freedom of emotion, where the emotion is oozing out of your fingertips. If he thinks it, he says it. If he feels it, he shows it. Cyrano has a panache, a dazzle, an up-front, out-front, look-at-me swagger that doesn't come naturally to me."

What comes naturally to Jacobi is "don't look at me — look at him." He says he is gentle where Cyrano is tough; timid, where Cyrano is angry and assertive. He admires those actors acclaimed for their "sense of danger": envious others, famous for their *temper* *cautious* *offstage*.

As for himself, Jacobi says he goes to herculean lengths to avoid confrontations and scenes: he rarely has rows and never raises his voice. Given an awkward situation, he will try to ignore it, and failing that, either make a joke or leave the room.

"I don't think I'm a very strong character," he says, a little wistfully. "I am dull, wishy-washy. I am indecisive, untemperamental. My emotions are un-



Soren May Tell for the Washington Post  
Jacobi as Jacobi.

der the carpet: I'm told I have a great facility for switching off. Friends say, 'Oh, he's gone, he's gone.' They see a look in my eyes, and they know I'm not around anymore. I guess it's a kind of defense. In many ways, I guess I'm very much like Benedick, who almost never shows his feelings — until the end of the play."

Like Benedick, Jacobi uses his "advanced sense of humor" to hide his real feelings. And like Benedick — who experiences himself as a bachelor in a world of couples, an adolescent court jester in a world of grown-up concerns — Jacobi suffers from a sense of being an outsider, someone more at home in the world of the imagination than in the real world.

In fact it was this capacity for dreamy wonderment combined with a terrible insecurity about "who I am, where I'm going and why I'm here" that gave him a craving, an "absolute need" to act. On stage he feels "in command — much more than in real life," because he knows who he is supposed to be and what is supposed to happen.

On stage, he finds, he can sometimes "enable all the sad, distressing things that happen to you in life."

"It's a great panacea, acting," he says. "You can transform an emotion that was originally a hurtful one into something very soothing. For instance, my mother's death several years ago was hugely traumatic for me. And yet on stage, if I can recall what it did to me at the time, it's no longer hurtful inside. It's a kind of purging process."

"Extraordinary things happen up there on stage.

Like today, I have a cold. I'm not feeling on top of the world, but I know tonight I have to go out there and play Benedick. The audience hasn't come to see a guy with a cold, and hopefully that's not what they'll get. My cold will be back here, waiting for me in my dressing room when I return, but out there, it's magic land. I know that sounds childlike but perhaps I never learned to grow up."

When he was starting out as an actor, Jacobi recalls. Laurence Olivier once offered him a piece of advice: "Find your own center, both as an actor and a person." What he means, says Jacobi, is that while acting involves putting on various disguises, each character must be filtered through "the force that is you" — "otherwise you're playing a creature with no heart, with no insides."

Though his "feet are now more firmly planted on the stage," Jacobi says he has yet to discover that "essential me." He worries that he lacks the sort of presence that gave old-time movie stars the ability to stamp a role as their own, and adds, a bit wistfully, that he hopes he "can make up in versatility what I lack in charisma."

Because he is so insecure about the forcefulness of his own personality, Jacobi actually finds it more difficult to play a character, like Benedick, whose he feels close to, than one like Cyrano, who offers a blank slate.

"If you're just taking the role off yourself, you're limited by your own personality," he explains. "And you have to be very confident about what you're doing. I'm not, so I find it very difficult to project myself to the audience. It's also dangerous playing someone like Benedick because you can enjoy yourself too much. On occasion we've just forgotten about him, and it becomes me up there, having fun. Particularly in the soliloquies. It becomes you, talking to the audience, being chummy; and that distracts the audience from the total concept of the production. When that happens I have to say 'stop it, stop it. You're being self-indulgent.'"

No such problems exist with Cyrano — a character who demands a complete leap of the imagination, a character who gives Jacobi the chance to "hide behind various things," and also leaves him "more susceptible to inspiration."

In developing his portrait of the blustering soldier of fortune, the actor says he relied heavily upon suggestions made by the show's director, Terry Hands. Apparently Hands not only suggested possible interpretations — it was he who focused on the character's huge capacity for anger — but he also tried to goad Jacobi into giving a superior performance by appealing to his fears. As Jacobi recalls, "Terry said, 'You're not a born Cyrano, so we have to justify the casting. If you don't get Cyrano right, it'll set your career back years.' It was very painful for me at the time, but it ended up broadening my range as an actor."

As rehearsals continued, Jacobi began to discover aspects to Cyrano that were readily sympathetic, and in the process, he also found affinity with Benedick. The men in both plays, after all, are essentially loners, isolated from their fellows by temperament and condition. And both, in a sense, are actors, who use masterful histrionics to protect their inner selves.



Soren May Tell for the Washington Post  
Jacobi as Cyrano.

Just as Benedick hides his love for Beatrice behind volleys of sarcastic banter, so too does Cyrano conceal his vulnerability and thwarted love for Roxane beneath his noisy displays of bravado.

Having become famous playing the crippled emperor in the television series "I Claudius," Jacobi points out that he is fascinated by "the sort of people who look one thing, behave one way, and who are something else inside." The emotional consequences of physical appearance are also familiar to him firsthand, for he suffered, as a teen-ager, from "the most appalling acne." "I either dared people to look at me, to focus on the boil at the end of my nose," he recalls, "or hid myself away. So I kind of know how Cyrano felt. Also, I am in a business that is very much a business of beautiful people, where beauty can open many doors and lead to many rewards."

In physique, Jacobi himself is slight; in demeanor, boyish, round-faced, impish rather than domineering. It is a fact, he says, that used to be the source of considerable worry. "I've always had this thing," he says, "that people will only accept you in a suffering role if you look as though you suffer. Hamlet's got to look as though he suffers. Now, if you look like me, you don't look exactly tragic. On the other hand, if you're darker, thinner, with sunken cheeks, you look haggard, harrowed. It's a very subtle difference, but I'm sure it's there in people's mind. That's why I love putting on makeup, changing myself to go on stage."

"I need acting like blood," he goes on. "I come to life out there. How can I put it? — I can say I exist because I am an actor, not the other way around."

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